FINANCIAL TIMES

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German society
Will ethnic Turks ever be accepted as full members?
Page 2

Hungary
Freedom is still proving problematic
Page 12

It was the year when...
The cult of the equity seduced corporate bosses
Page 13

Mergers in Europe
Linguistic advantage for Anglophones
Viewpoint, Page 9

WORLD NEWS

Greek Cypriot leader flies to Athens for missile talks

Greek Cypriot president Glafkos Clerides plans to fly to Athens today to try to resolve tensions over his government's proposed deployment of Russian S-300 anti-aircraft missiles. Their expected arrival has infuriated Ankara and the island's Turk enclave. Russia is said to be ready to ship the missiles by the end of this month. **European news, Page 2**

Clinton may face trial next week
President Bill Clinton's remaining hopes of avoiding a trial on impeachment charges faded at the weekend as leading Democratic senator Tom Daschle said a hearing would have to begin early in the new year. **US news, Page 3; Editorial comment, Page 13**

Primakov secures tax split deal
Russian premier Yevgeny Primakov appeared to have averted a clash with regional governors after agreeing to a new split of tax revenues next year. **European news, Page 2**

Netanyahu rival quits contest
Benjamin Netanyahu's chances of being re-elected head of the Likud party and contesting Israel's premiership rose when Jerusalem mayor Ehud Olmert dropped his challenge for the party leadership. **International news, Page 6**

China tightens controls
Zhang Shanguang became the fourth Chinese dissident in a week to be jailed as Beijing tightened political controls in a bid to prevent bleak economic prospects triggering social unrest next year. Books have been suppressed and 1980s conservative slogans revived. **Page 14**

Tehran's ex-mayor seeks appeal
Gholamhossein Karbaschi, ex-mayor of Tehran, is seeking to appeal to Iran's supreme court after an appeal court last week upheld his conviction on corruption charges, although it reduced his prison sentence and the ban on his holding executive office. **International news, Page 6**

Eta allies may take Basque role
An agreement between nationalists in Spain's Basque country has cleared the way for a minority regional government backed by political allies of Eta, the outlawed separatist organisation which declared a ceasefire in September. **European news, Page 2**

Khmer leaders seek amnesty
Khieu Samphan and Nuon Chea, two of the last three remaining Khmer Rouge leaders who defected to the Cambodian government at the weekend, may avoid being tried for crimes committed during their genocidal rule two decades ago. **Asian news, Page 6**

Business 'would back tax move'
British companies would back European Union action to stop governments manipulating business taxes to attract cross-border investment, according to Adair Turner, director general of the Confederation of British Industry. **UK news, Page 7**

Unita accused of downing UN flight
Angolan state radio accused Unita rebels of shooting down a United Nations flight with 14 people aboard. Unita said it was investigating Saturday's crash.

Smallest octuplet dies
The smallest of the US Chukwu octuplets died in Texas Children's Hospital a week after she was born weighing just 10.3 ounces. The other seven babies were in critical condition.

US crime rate drops
Violent crimes fell by almost 7 per cent in the US in 1997 to 39 per 1,000 people aged 12 or over - its lowest lowest level for 25 years. People on the West Coast, men, blacks and younger people were most likely to be victims.

Killers escape in jailbreak
Four convicted killers were among six men who escaped from a maximum security prison in Nashville, Tennessee, after overpowering two guards and handcuffing them to a chair.

BUSINESS NEWS

Thomson-CSF 'gets green light for Marconi merger'

Thomson-CSF, the defence electronics group, says it has won the backing of the French government to pursue a merger with Marconi Electronics, the defence unit of the UK's General Electric Company.
Page 15

Siemens, one of the largest European investors in China, has warned that Beijing's plans to reduce foreign participation in the telecommunications market could deter future international investment in China. **Page 6**

Rupert Murdoch has moved closer to fulfilling his ambition to penetrate the Italian pay-TV market with a preliminary agreement to acquire up to 80 per cent of Stream, Telecom Italia's multimedia and digital television subsidiary. **Page 17**

Paine Webber Group, the US brokerage, has set up a joint venture with Yasuda Mutual life insurance company, in an effort to sell mutual funds and other asset management products into the evolving Japanese retail market. **Page 15**

The launch of the planned alliance between the Chicago Board of Trade, the largest US futures market, and the German-Swiss Eurex market, its biggest counterpart in Europe, will be delayed until 2000. **Page 17**

Japan's Financial Supervisory Agency, the banking watchdog, says the country's 17 largest banks had risky loans totalling Y49,490bn ($427bn) at the end of March, well above the banks' own estimates of Y44,080bn. **Page 6**

Creditors will today consider cutting loans to LG Semicon, the South Korean chipmaker, over its refusal to yield managerial control to Hyundai in a merger to create the world's second-biggest chip maker. **Page 15**

Isuzu, Japan's largest truckmaker and an affiliate of General Motors of the US, has unveiled a restructuring plan aimed at returning the group to profit and reducing debts. **Page 16**

A consortium led by Telecom Italia has acquired full ownership of Retevisión, which launched Spain's second fixed telephony service at the beginning of the year. **Page 17**

Investors holding more than 25 per cent of Wace, the UK digital imaging services group, intend to reject a $134m (£80m) hostile bid launched last week by Photobition, a rival media services group. **Page 16**

Two Dutch pension funds are to take control of National Investment Bank of the Netherlands, in a deal valuing the former state financing vehicle at more than Fl 3.5bn ($1.85bn). **Page 17**

Auditors of Unipart, the motor components, distribution and logistics group privatised from Rover 11 years ago, have reduced their valuation of the group by more than 50 per cent to £91m. **Page 16**

DaimlerChrysler, the German-US industrial group, estimated that its turnover rose 13 per cent to DM260bn ($155bn) in 1998. **Page 16**

International banks aim to reach a preliminary debt standstill agreement with VSZ, the Slovak steel producer, by late January on loans of about $450m. **Page 15**

Vosper Thornycroft Holdings, the shipbuilder, is paying £11m ($18.5m) for TSS (UK), a maker of electronic instruments for the marine survey market. **Page 17**

ASW, the UK steelmaker, is to acquire Co-Steel Sheerness for £40m ($67m) in a deal that could give Candover Investments, the buy-out specialist, a stake of more than 50 per cent in the enlarged company. **Page 16**

Lex on 1998
The ghosts of crises past
Page 14

Iraqi threat to western air patrols

US and Britain vow to retaliate if pilots enforcing the no-fly zone are attacked

By Roula Khalaf in Amman and Gerard Baker in Washington

In a fresh challenge to the US and Britain, Iraq yesterday threatened to fire on western aircraft patrolling the "no-fly zones" in the north and south of the country.

Vice-President Taha Yassin Ramadan said that the zones were illegal and breached Iraq's sovereignty.

The zones cover more than half the country and were set up after the 1991 Gulf war to protect the Iraqi Shias in the south and the Kurds in the north.

"Our defences would do what they can to confront this violation," Mr Ramadan said, adding that the patrols were spying operations and part of aggression against Iraq.

The British Ministry of Defence said patrols would continue and warned that Britain would retaliate if its aircraft were shot at. "Our servicemen will defend themselves if they are attacked, and if this means retaliating with fire, that's what we'll do," the MoD said yesterday.

Mr Ramadan's statements followed a claim by Baghdad on Saturday that its air defences had fired at "enemy" aircraft attacking a post in southern Iraq.

The US and Britain denied the report. London said that two British Tornados patrolling the southern no fly-zone had reported seeing anti-aircraft fire five miles behind them.

The US dismissed Iraq's threats and said it had no plans to change its policy.

"We will continue to enforce the no-fly zones in the north and the south," said P J Crowley for the National Security Council. "Iraq knows that it should not interfere with those flights, and our pilots can act in self-defence if they feel threatened at any time."

Mr Crowley said US aircraft had flown over Iraq on Saturday but reported no incidents of fire directed against them.

US, British and French aircraft patrol the southern no-fly zone, while northern Iraq is patrolled only by the US and Britain.

Iraq's ground-to-air capabilities were the first targets of the US-UK military strikes just over a week ago. The US and Britain said the vast majority of them were destroyed, but officials acknowledged that not every mobile ground-to-air system could have been hit.

Iraq's new challenge appears part of a strategy to portray continuing aggression by the US and Britain. Last week, the Iraqi army said western aircraft had fired two rockets near the southern city of Basra – an account that was denied by Washington and London.

Iraq stepped up calls on Arab governments to denounce the US-UK military strikes and urge a lifting of the eight-year-old United Nations sanctions.

Arab parliamentarians held a meeting in Amman yesterday attended by Saadoun Hammadi, Iraq's parliament speaker, who urged Arabs to work for a lifting of the UN sanctions.

The UN security council is this week expected to continue discussions on UN policy towards Iraq and on the fate of Unscom, the UN special commission charged with eliminating Iraq's weapons of mass destruction.

A KLA fighter takes aim at a Serbian convoy near Podujevo yesterday Reuters

US diplomat warns of Kosovo escalation

By Guy Dinmore in Belgrade

The US envoy heading an international monitoring mission in Serbia's Kosovo province yesterday accused government forces and ethnic Albanian rebels of spoiling for a fight and warned that the current clashes could spin out of control.

"Something could go wrong and then go more terribly wrong," William Walker told the Financial Times as fighting entered its fourth day around Podujevo, 30km north of the provincial capital Pristina. "But there is a fair chance that they will stand back, lick their wounds and see if they can get the advantage somewhere else," the US ambassador added.

The Organisation for Security and Co-operation in Europe (OSCE) said yesterday that the worsening fighting jeopardised its truce monitoring mission.

"If the bloodshed and violence escalate the OSCE will have to reconsider the forms of its activity in Kosovo," Polish foreign minister and OSCE chief Bronislaw Geremek said in Warsaw.

Federal Yugoslav troops and Serbian police backed by up to 100 armoured vehicles first tried to dislodge rebels of the Kosovo Liberation Army (KLA) from the village of Lapastica on December 24. Belgrade had earlier told OSCE that the army was on a training exercise.

Mr Walker said the fighting was the worst since October 13 when Yugoslav president Slobodan Milosevic averted Nato air strikes by agreeing to a partial pullback of his forces and the introduction of unarmed OSCE verifiers.

Nearly 100 people have been reported killed since then and the ceasefire announced then by both sides threatens to fall apart completely in the absence of progress in reaching a political settlement that would restore autonomy to Kosovo.

Record volume of bonds issued

By Edward Luce, Capital Markets Editor

The volume of bonds issued on the international capital markets broke new records in 1998 even thoughriskier borrowers have been all but shut out from the markets since August.

The surge in bond issuance – which rose from $749bn in 1997 to $908bn in 1998, according to Capital Data Bondware, a data provider – was partly driven by banks' growing reluctance to extend traditional loans, analysts say. This compelled borrowers to tap the securities markets.

The volume of international syndicated loans has been dropping steadily in proportion to the volume of international bonds over the past five years, reflecting the fact that leading banks can produce a higher return on capital from arranging bond issuance than from extending loans.

In contrast to the fees that can be earned from lead managing bond deals, banks are required to set aside expensive capital on loans against the risk of default.

The sharp rise in international bond issuance also reflected the growing willingness of the largest borrowers, such as the World Bank and Fannie Mae, the US national mortgage house, to issue increasingly large-scale bonds. Offerings of up to $4bn became common in 1998 for the first time.

This in part has been a response to investor demand for liquidity in a bond issue; the larger the offering the easier it is for investors to trade it on the secondary bond markets. As a result of a spate of these so-called "jumbo" bond offerings, issuance in January topped $100bn for the first time and again in March.

Volumes, however, declined to less than $50bn a month after Russia defaulted on its domestic government debt in August. The default triggered a general investor stampede towards the safest government bonds, such as the 30-year US Treasury bond, and led to a widening of spreads on corporate bonds. As a result, emerging markets and many corporate borrowers have been effectively debarred from issuing bonds since then.

Volume is nevertheless expected to pick up in the first quarter of next year.

Upturn likely for Japan next year, says finance chief

By Naoko Nakamae in Tokyo

The moribund Japanese economy could start turning around in the June-September quarter of next year, the country's top financial diplomat said yesterday.

"The framework is in place. In the second quarter [of the financial year to March, 2000] it should turn around," Eisuke Sakakibara, vice-minister of finance for international affairs, said in a Japanese television interview, although he added that the effects of the current credit crunch would linger.

His remarks came in the wake of the publication of more negative economic indicators and pessimistic comments from other government agencies.

Unemployment rose to 4.4 per cent in November, the highest level since records began 46 years ago and the first time the country's official jobless total has matched that of the US.

Taichi Sakaiya, the economic planning agency minister, warned that the situation would grow worse. "I think it is likely that a meltdown in the lifetime employment system [the traditional practice of employing workers until retirement] is going to start," he said.

The EPA, in a report published yesterday, also became the first government agency to admit that the Japanese economy is in a deflationary spiral.

The jobless figure reflects the severity of the worst recession Japan has experienced since the 1950s. The unemployment rate rose above 4 per cent for the first time in April, and has stayed above that since. In November, the number of unemployed reached 2.91m, an increase of 630,000 over the same period last year. "Labour market conditions are becoming more severe," said Akira Amari, labour minister.

The key ratio of jobs available to job seekers also hit a low of 0.47 in November. Yoshi Nishimoto of HSBC Securities in Tokyo said: "Deterioration in the labour market is continuing, although the pace of decline is slowing."

The appearance of these bleak economic statistics coincided with government approval on Friday of a record Y81,860bn ($711bn) budget for fiscal 1999, including a 5.3 per cent increase in general expenditures to revive the flagging economy. The government's spending spree will be partly funded by more than Y31,000bn in bond issuance – nearly double last year's figure.

The Ministry of International Trade and Industry (Miti) revealed that November industrial production fell 2 per cent from the previous month, and although there was some improvement in inventory levels, the ratio of inventories to shipments remained high.

Retail sales were down for the 20th consecutive month, falling 2.9 per cent year-on-year. Miti warned that the outlook for December sales was not good.

Construction orders also fell 21.3 per cent last month, while housing starts fell for the 23rd month in a row.

Loans understated, Page 6
Editorial Comment, Page 13
Global investor, Page 15
Isuzu restructuring, Page 16

CONTENTS

Full contents and Lex: back page

WORLD NEWS

Belarus protesters denounce Russian accord

By John Thornhill in Moscow

Belarusan nationalists took to the streets on Friday to denounce the signing of an outline union agreement between their country and Russia.

The declaration between the two neighbouring Slavic countries called for closer economic and political integration eventually leading to the creation of a common legal system and a single currency, modelled on the euro.

Alexander Lukashenko, the Belarusan president, has attracted the ire of human rights groups, which accuse him of running an authoritarian regime, while the International Monetary Fund has criticised the country's Soviet-style economic policy.

The protesters, who carried placards calling for an independent Belarus, temporarily blocked the centre of the capital, Minsk. Fourteen demonstrators were later detained by the police.

At a signing ceremony in the Kremlin, Russian President Boris Yeltsin said the two countries were moving from a commonwealth towards a union of two sovereign states.

"Our countries are entering the 21st century in a new capacity, moving together towards a union state," he said.

"God willing we will all be living in a single state by that time," added Mr Lukashenko. "Our peoples are no longer foreigners to each other."

The two presidents signed three documents calling for a union treaty to be drawn up by the middle of 1999. By then, both sides promised to work out a mechanism for conducting a joint defence, security and foreign policy. They would also press ahead with plans to unify civil and tax legislation and create a common budget and single currency.

Yuri Maslyukov, Russia's first deputy prime minister, suggested the two former Soviet states would closely study the operations of the European Union.

"The experience of European states, especially with the introduction of the euro, will be used to the maximum," he said.

However, Kremlin aides later stressed that the two presidents had only signed a declaration rather than a treaty describing future goals.

"There can be no talk yet about a single budget, army or currency. The stages have only been outlined," said Dmitry Yakushkin, the presidential spokesman.

Belarus, wedged between Poland and Russia, gained its independence in 1991 following the collapse of the Soviet Union. Yet it has retained extremely close ties – and a customs union – with Moscow.

Mr Lukashenko has been pushing for a full merger between Belarus and Russia and has expressed ambitions to lead such a Slavic superstate.

But Moscow – and the IMF, which has been backing Russian reform moves – has previously remained cool about the proposal, fearing the economic consequences of absorbing a backward economy of 10m people.

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RUSSIAN BUDGET 14% OF TAX REVENUES TO GO TO THE REGIONS

Primakov heads off clash with governors

By John Thornhill

Yevgeny Primakov, Russia's prime minister, appears to have headed off a potentially explosive clash with the country's powerful regional governors after agreeing to a new split of tax revenues next year.

The weekend agreement came after the lower house of parliament, the Duma, approved the draft 1999 budget at its first reading on Thursday.

Mr Primakov had threatened to resign if MPs did not accept the tough budget, designed to bring the country's runaway public finances under control.

He hailed the parliamentary vote as a "victory for common sense".

President Boris Yeltsin heaped praise on his new prime minister's handling of the country's worst economic crisis since 1991 and his diplomatic skills in dealing with parliament. "He is the strongest premier, the most reliable one, supported by the president, government, the state Duma, and the regional authorities," Mr Yeltsin said in a rare television interview.

The Russian president, ever-fickle in his judgments, was in effect forced into accepting Mr Primakov as his prime minister by parliament in September after his first choice candidate, Victor Chernomyrdin, was twice rejected by unruly MPs.

Over the weekend, a trilateral commission, consisting of representatives of both houses of parliament and the government, agreed that Moscow would next year spend Rbs33.7bn ($1.54bn) –

Premier agrees to new split of tax revenues

or 14 per cent of all tax revenues – on supporting the regions but that the subsidies would be reallocated.

Russia's 39 worst-hit regions, including Dagestan in the north Caucasus and Kamchatka and Sakhalin in the far east, will receive additional support next year. But 36 better-off territories, such as the oil region of Tyumen and the industrial city of Nizhny Novgorod, will lose some of their subsidies. Twelve regions will receive no financial support from Moscow.

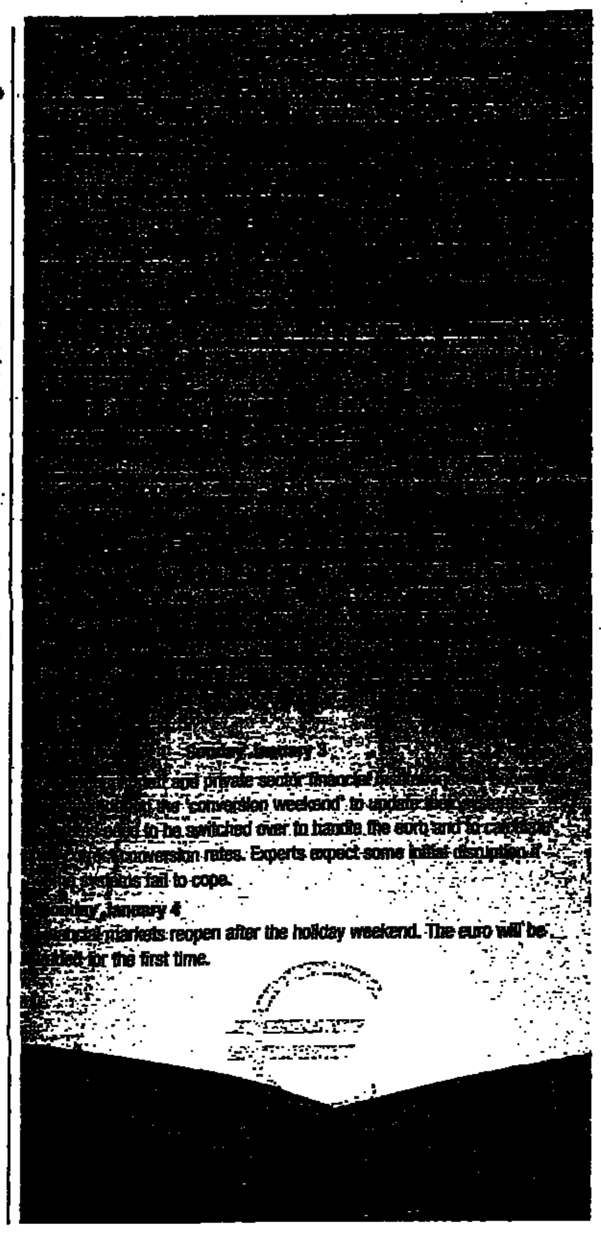
"The government and parliament have managed to find a possible balance of interest in sharing tax revenues," Mr Primakov said, adding that the federal government would receive 49.5 per cent of all tax revenues with regional authorities keeping the rest.

The upper house of parliament, which contains Russia's 89 regional leaders, will vote on the 1999 budget once it has passed all four readings in the Duma.

Several economists have argued that the 1999 budget looks tough on paper but contains a series of unrealistic forecasts. The budget plans are also based on the assumption that Russia will receive additional support from the International Monetary Fund.

Mikhail Kasyanov, deputy finance minister, said he hoped the budget would win final approval in January enabling the government to resume serious talks with the IMF.

"In February an IMF mission comes to Moscow and we hope that we will reach agreements and will prove to them that this budget is the only possible option. We hope the mission approves of the plan," he said.



Clerides in Greece for missile talks

By Andreas Hadjipapas in Nicosia

Glafkos Clerides, the Greek Cypriot president, plans to fly to Athens today to seek to resolve tensions over his government's proposed deployment of Russian S-300 anti-aircraft missiles.

The expected arrival of the missiles has infuriated both the Turkish government and the ethnic Turk enclave in the north of the island.

The Greek government is keen to see an end to the missile dispute, which could threaten Cyprus' planned accession to the European Union. But some parties within Mr Clerides' ruling coalition have strongly opposed any further backing down on the plan to receive the missiles before the end of the year. The missiles were originally scheduled to arrive last summer.

Mr Clerides will see Costas Simitis, the Greek prime minister, tomorrow.

But last week the six-party national council, which advises Mr Clerides, failed to announce a decision on the missiles' deployment. The body will not meet again until Mr Clerides returns.

"There will be no new meeting of the national council after Clerides' return as the discussion has been exhausted and all opinions have been tabled," said a government spokesman.

"The opinions of all of Cyprus's political leadership will be passed on and there will be co-ordination with Athens," he said.

One of the coalition parties, the socialist Edek grouping, has threatened to leave the government if the missiles do not come. Another party has called for a referendum on the issue.

The US, Britain and many other European Union states have urged Mr Clerides to cancel the deployment of the weapons, fearing that their presence might lead to a new crisis in the region.

Turkey has warned it will act to stop the rockets from being installed, while Greece is obliged to come to the aid of Cyprus in case of a Turkish attack.

One idea being discussed is that the missiles should be shipped to the Greek island of Crete, but be manned by Cypriot technicians who have been trained in Russia.

Russia is said to be ready to ship the missiles by the end of this month and is waiting for a final decision from Nicosia.

Last week both Athens and Nicosia welcomed a United Nations Security Council resolution calling on the UN secretary general to promote a "staged process", aimed at a substantial reduction of troops and armaments in Cyprus.

However, the UN-sponsored talks between Greek and Turkish Cypriots have been stalled for months.

Eta allies win vital role in regional government

By David White in Madrid

An agreement between nationalist groupings in Spain's Basque country has cleared the way for a minority regional government backed by the political allies of Eta, the outlawed separatist organisation.

It will be the first time Eta's political arm has taken an active role in the running of the region. The organisation declared a ceasefire in September.

But Spain's ruling Popular party, the second largest grouping in the Basque parliament, said the new regional government would be "a hostage of Eta".

The programme was signed at the weekend by the mainstream Basque Nationalist party (PNV), which has headed the regional government since its inception almost 20 years ago, and the more radical splinter party Eusko Alkartasuna (Basque Solidarity).

It views Eta's ceasefire as opening the way for talks on the Basque country's political future, stating that neither Spain's constitution nor the region's autonomy statute should be regarded as "untouchable".

The deal sets the stage for the investiture tomorrow of Juan José Ibarretxe, a 41-year-old PNV economist, as the regional president, after elections to the Basque parliament two months ago.

With only 27 seats between them in the 75-seat regional parliament, the two governing parties will depend on voting support from Euskal Herritarrok (Basque Citizens), a new grouping based on Eta's political wing Herri Batasuna (Popular Unity). It is envisaged that this party – far to the left of the economically orthodox PNV – may formally join the coalition after Spain's local council elections next June.

The deal followed the collapse of talks between the PNV and the regional branch of Spain's Socialist party to revive a previous long-standing coalition alliance.

PNV moderates, including Mr Ibarretxe, would have preferred a renewed pact with the Socialists, giving the government a firm base of support among both nationalists and non-nationalists in the Basque region.

The Socialists attacked the PNV for letting itself be manipulated as a "puppet" of the extremists.

The programme insists that a political settlement should be worked out among the various parties in the region – nationalist and otherwise – and that Madrid should accept whatever they may agree.

This principle has largely replaced "self-determination" as the centrepiece of nationalist demands – but raises just as many hackles in Madrid.

Movers and shakers: Juan José Ibarretxe (left) greets PNV leader Xavier Arzalluz at the weekend AP

Germany's ethnic Turks wary of citizenship reform

Many in the largest minority group are not convinced that legal change will see them accepted by society, writes **Tony Barber**

Not even Bonn's plans to introduce sweeping liberalisation of the country's citizenship laws will be enough to persuade Orhan Bilik that Germans will truly accept ethnic Turks as fellow members of society.

"If you are a French, British or Dutch person living here for a couple of years, you are welcomed and treated with civility," Mr Bilik said in the comfortable bar he runs with his wife. "If you are a Turk, you can live here for 30 years and you know your face will never really fit in."

Like hundreds of thousands of other ethnic Turks, Mr Bilik, 46, arrived in Germany in the 1960s as the son of an unskilled *Gastarbeiter* or guest worker. He remembers well how the Turks plugged the gaps at the bottom of Germany's labour market, working as dishwashers and street cleaners and doing other manual jobs spurned by Germans.

Working long hours for low pay, the Turks and other *Gastarbeiter* were no mean factor behind the economic miracle of what was then West Germany. In a certain sense, millions of ordinary Germans owed their rise from post-war ruin to affluence partly to foreigners' efforts.

These days Mr Bilik is successful enough to contemplate opening a second bar in another district of Berlin. What is more, as soon as the centre-left Social Democrat-led government in Bonn changes the citizenship laws, he and his children – fluent German-speakers, born in Germany – could do what once seemed unthinkable and become German citizens.

By German standards the reforms are little short of revolutionary. Up to 1.3m of the 2.5m ethnic Turks and Kurds living in the country will qualify for German passports under the changes, expected to become law next year. So will up to 1.7m other foreigners, ranging from people from former Yugoslavia, Italy, Greece, Poland and Portugal.

But Turks are the largest minority. As citizens armed with the vote and developing an increasing stake in society, they are likely to emerge as a constituency that no party or politician can afford to ignore – at least in cities such as Berlin, Frankfurt, Cologne and Essen, where they are most numerous.

More broadly, the reforms may in time profoundly alter the German sense of identity, as they will do away with concepts of nationality dating from a law passed in 1913.

Under this law a German was a German by virtue of his bloodline, not by virtue of where he was born, grew up or ended up living. In recent times this has meant that ethnic Germans whose ancestors settled in Russia in the 18th century have had an automatic right to German citizenship, even though spoken German died out long ago among their communities.

By contrast, ethnic Turks born and educated in Germany and more fluent in German than Turkish have been for the most part denied citizenship. According to latest estimates, only 160,000 Turks are German citizens.

The consequences can be startling. In a case that flared into a national scandal last month, authorities in the conservative southern state of Bavaria deported a 14-year-old boy to Istanbul for committing a variety of juvenile offences. As the son of Turkish immigrants he was considered a foreigner, even though he was born and raised in Germany.

Ethnic Turkish political activists and German liberals criticised the expulsion as precisely the wrong message to send the Turkish community. "Turkey is not responsible for this boy. He is a product of German society," said Cem Oezdemir, a politician of Turkish origin who represents the Greens in the national parliament.

The affair broke out at a delicate moment for Chancellor Gerhard Schröder's government, which was seeking to improve the frosty relations with Turkey it had inherited from its centre-right predecessor. Turkey accused that government of effectively rejecting Turkish aspirations to join the European Union.

Matters grew more complicated when the new government said it would not extradite Abdullah Ocalan, the leader of an armed Kurdish rebellion in south-eastern Turkey, who was arrested last month in Italy.

German prosecutors want to put Mr Ocalan on trial for inciting his followers in Germany to murder, but the government says it does not want to risk conflict breaking out in German cities between ethnic Turks and Kurds.

Such controversies have brought home to Germans just how multicultural their country has become, for better or worse, in the past 40 years. Whether the impending changes in the citizenship laws will take the heat out of communal strife in Germany is another matter. Nonetheless the government sees the reforms as essential.

"It is a truly historic step and will show that Germany is a tolerant society open to the world," said Otto Schily, interior minister.

NEWS DIGEST

EUROPEAN UNION

Germany to push plans for tax harmonisation

Germany, which takes over the European Union's rotating presidency next week, said yesterday it would push proposals for greater tax harmonisation despite resistance from other EU nations.

Oskar Lafontaine, finance minister, and Wolfgang Clement, the powerful premier of North Rhine-Westphalia state, said in separate newspaper interviews it was vital that the EU narrowed wide gaps in tax levels to prevent economic distortions.

Mr Clement, premier of Germany's largest state, said tax harmonisation in the EU "is urgently needed, especially with the indirect taxes. We need a single value-added tax and a single energy tax level."

The VAT level in the EU varies from 15 per cent in Luxembourg to 25 per cent in Denmark and Sweden.

Mr Lafontaine said he believed it would be possible to make progress towards harmonising tax policies during the German presidency starting on January 1.

"One thing is clear," Mr Lafontaine said "There is no way that Europe can expect Germany to pay the highest net contribution, but at the same time it does nothing against the unfair tax competition. That is incompatible with the thought of solidarity."

Gerhard Schröder, German chancellor, has complained that Bonn's contribution of 60 per cent of the EU's budget, or DM22bn ($13bn), is unfairly high. **Reuters, Bonn**

OSAMA BIN LADEN

Saudis deny death plot

Saudi Arabia yesterday denied involvement in a failed plot to kill Osama bin Laden, the exiled dissident accused by the US of masterminding attacks against two of its embassies in Africa in August.

The official Saudi Press Agency quoted a Saudi source as saying that remarks attributed by a Pakistani daily to Mr bin Laden about the involvement of Saudi Arabia in the assassination attempt were lies.

Mr bin Laden said in an interview published in the English-language The News on Saturday that Afghanistan's ruling Taliban militia foiled the assassination attempt and arrested three men involved. The men were being held in prison in the southern Afghan city of Kandahar, the Taliban headquarters, it added. **Reuters, Dubai**

TURKISH GOVERNMENT

President backs Erez

Yalim Erez, Turkey's prime minister-designate, will start efforts today to form the country's sixth government in three years, bolstered by a weekend gesture of support from the head of state.

President Suleyman Demirel said on Saturday he would not use his constitutional power to call snap elections even if Mr Erez was unable to forge a government within the next two weeks. If 45 days elapse without a government being formed, Mr Demirel is empowered to establish a cross-party coalition that would not need a vote of confidence and would take the country to polls.

"I will not make a decision to call elections if a government cannot be set up by January 10," Mr Demirel said.

Turkish newspapers said the removal of the deadline would greatly assist Mr Erez as he begins negotiations with the main opposition Islam-based Virtue party. He will meet Recai Kutan, the Virtue leader, today and is scheduled to meet other party heads later.

Last week, Bülent Ecevit, Mr Erez's predecessor as prime minister-designate, gave up his attempt to form a coalition including Virtue. **Reuters, Ankara**

CHINESE SLOWDOWN

Electricity demand falls

Electricity consumption in many parts of China has declined this year for the first time in two decades, an indication of the slowdown in the Chinese economy, according to the Economic Information Daily, a state-owned newspaper.

The Chinese leadership has pledged that the country will achieve its target of 8 per cent economic growth in 1998 but many observers of the energy sector have noted that official gross domestic product figures do not square with the sharply slower growth of electricity demand.

In Shanghai, north-western Shaanxi and Ningxia provinces, western Sichuan province and the industrial city of Chongqing, electricity generation and consumption fell in the first 11 months of this year, in some places by as much as 10 per cent. **James Harding, Shanghai**

RUSSIAN DEFENCES

New missiles inaugurated

Russia's defence minister yesterday inaugurated the first regiment of new-generation Topol-Ms missiles, seen as the backbone of Moscow's strategic nuclear force in the next century.

"Putting the new missile complex on duty means that the Russian nuclear deterrence factor will be at a sufficient level until the world gets rid of atomic weapons," Interfax news agency quoted Igor Sergeyev as saying at Tatishchevo missile base.

It is not clear how many Topols, 47-tonne solid fuel missiles which can be based in silos, on cars or trains, will be initially based at Tatishchevo, in Saratov region on the Volga River. Two missiles went on trial in Tatishchevo in December 1997. Russia's military have said they expect to commission 10 single-warheaded missiles in 1999 and up to 40 each year from 2000. **Reuters, Moscow**

SIERRA LEONE REBELS

UN chief condemns uprisings

Kofi Annan, United Nations secretary-general, yesterday condemned rebel uprisings in Sierra Leone and appealed to the insurgents to lay down their arms.

Fighting has increased in the west African country, with rebels, who controlled the capital of Freetown after a bloody May 1997 coup, seeking revenge for their overthrow by west African peacekeepers in February. The rebels include guerrillas from the Revolutionary United Front and army defectors.

Mr Annan said he "condemns the refusal of the Revolutionary United Front and junta remnants to lay down their arms as well as their continuing military actions".

"He wishes to take this opportunity to emphasise the unacceptability of attempting to overthrow duly-elected governments by force. He appeals to the rebels to lay down their arms at once and to enter the peace process without preconditions," his spokesman said.

Yesterday the Nigerian-led west African peacekeepers said they were fighting rebels outside the northern town of Makeni. **Reuters, United Nations**

PRESIDENT'S IMPEACHMENT LEADING DEMOCRATIC SENATOR RULES OUT VOTE ON CENSURE

Clinton's hope of avoiding trial fades

By Gerard Baker in Washington

Any lingering hopes President Bill Clinton may have harboured that he might be able to avoid a formal trial in the Senate on impeachment charges faded at the weekend as the leading Democratic senator said a trial would have to begin early in the new year.

Tom Daschle, Senate minority leader, rejected the possibility that senators might agree to avoid a potentially long and distracting trial with a vote to censure the president instead. "I think we have to start the process. The constitution lays out a procedure by which we ought to begin, and I think the Senate will follow that," he told NBC News. But there was no reason why the process should not be concluded quickly, he added.

He said the trial was expected to start around January 7 or 8, almost immediately after members of the new Congress have been sworn in.

Earlier this month Mr Clinton became the first elected president in history to be impeached, when the House of Representatives passed two articles alleging perjury and obstruction of justice in the Monica Lewinsky case. A trial in the Senate could result in his conviction and removal from office if two-thirds of senators voted for it, but even Republicans acknowledge such an outcome is unlikely.

Instead the search is on for some kind of censure that would end the trial before it came to a vote to convict or acquit Mr Clinton.

Republicans joined Mr Daschle yesterday in agreeing the process could be over in weeks. "There's no reason for this to take three to six months. It could, if people start calling witnesses, but I don't see any reason to call those witnesses," said Orrin Hatch, chairman of the Senate judiciary committee, on CBS News.

"We ought to do it in an expeditious, decent way, and in the end find out where the votes are, and then do what is best under the circumstances for the American people."

But finding an appropriate form of censure acceptable to all parties may prove difficult. Republicans want Mr Clinton to acknowledge he lied when he told a grand jury earlier this year that he did not have sexual relations with Ms Lewinsky, a White House volunteer. Yesterday a leading Democratic senator, John Breaux, also suggested Mr Clinton should confess to something similar. "The Democrats in the House suggested false information was provided, false statements were made. I think that would be appropriate," he said.

But even that may be more than Mr Clinton is willing to acknowledge. He has steadfastly denied he lied under oath, partly out of concern that such an admission could open the way to his criminal prosecution when he leaves office, and partly because, some of those closest to him say, he genuinely believes he did not lie.

The president accepts his answers to questions may have been misleading, but insists they were "legally accurate" since the definition of "sexual relations" he was using did not include the type of activity – oral sex – he and Ms Lewinsky are alleged to have had.

But Mr Hatch warned yesterday that Mr Clinton would have to drop this defence if he wanted to get off with just a censure.

"He's got to get rid of this phony set of legal parsing and hair splitting, that really has gotten him in this trouble to begin with."

Yet some of Mr Clinton's advisers believe he should refuse to agree to a censure that requires him to acknowledge he lied under oath.

They would prefer him to take his chances on an acquittal at the end of the Senate trial. They believe the current Senate – with 55 Republicans and 45 Democrats – would never find the two-thirds vote necessary for his conviction.

Mexico's dissident soldiers put military on defensive

By Henry Tricks in Mexico City

Earlier this year José Alberto Gómez, a Mexican soldier, says he was given permission to take his sick mother to hospital but, on his return to base three days later, found himself charged with desertion.

In July last year Arturo Bernadino Hidalgo, a corporal, splashed a fellow soldier while shaving. A punch-up followed and the two arrived late for roll-call, for which the NCO is still facing charges on half pay.

Their accounts, in spidery handwriting and child-like spelling, are two of dozens of complaints sent to the non-governmental Mexican Human Rights Commission this month by some 50 dissident soldiers. They provide a rare glimpse into the secretive military justice system.

Much of what put the soldiers in trouble appears trivial, including bar-room brawls and urinating in public. But the publicity the men have generated by staging on December 18 an unprecedented protest march to air their grievances has put the military high command on the defensive as never before.

Unlike its counterparts in South America, the Mexican armed forces have for decades shunned the public spotlight. Analysts say the military's conduct has been governed by an unwritten pact: unbending loyalty to the president and the long-ruling Institutional Revolutionary party (PRI), who in turn keep their noses out of military affairs.

But just as the PRI's monopolistic grip on Mexican politics has weakened recently after seven decades in power, so the military has begun to lose its *de facto* immunity from prying eyes.

Attention has increased as the military adopts a higher profile in the fight against drug trafficking. The sacrosanct military budget has also come under scrutiny from opposition parties.

Amnesty International called in June for the release of a jailed brigadier general, José Francisco Gallardo, who is serving a 28-year prison sentence on an army base. The main charge: embezzling funds meant to feed cavalry horses.

Amnesty declared Gen Gallardo a prisoner of conscience, believing he is being punished for his calls to investigate human rights within the military. The powerful Inter-American Court of Human Rights has also demanded his freedom, but Mexico has turned a deaf ear.

The leftwing Party of the Democratic Revolution (PRD) has also weighed in, setting up its own commission to promote judicial reform and transparency in the armed forces.

So, when the 50 disaffected officers and enlisted men silently marched up Mexico City's main boulevard on December 18 and turned in at the PRD's office in the Senate, they stumbled on fertile ground.

"We had heard something [about human rights abuses] but we didn't have the necessary information from any active soldier. The fact they are serving officers and men who are making these allegations is something unprecedented in Mexico," says Amalia García, a PRD senator.

According to the senator, who is a human rights activist, the soldiers accuse the military top brass of running an arbitrary justice system that brooks no criticism and moves at a snail's pace.

Soldiers accused of misconduct say they are put on paltry salaries and denied leave until they are brought to trial in a military court, a process that often takes years. If they complain, they say, new charges are brought against them. Defending officers, assigned by the court, are usually junior to prosecutors and hence toothless.

Those that are jailed are sometimes held in dark, iron cells that are freezing in winter and almost unbearably hot in summer, Ms García says.

Military officials were not available to comment on the accusations but the army high command has responded angrily to the dissident soldiers. Generals have accused them of insubordination and sedition.

Defenders of the armed forces point out that the dissidents could leave barracks to stage the march, suggesting military discipline is not as oppressive as is claimed. They also note that military justice is tougher than its civilian counterpart in many parts of the world.

But analysts say the pressure generated by the dissidents may be difficult for the armed forces to resist.

A Mexican soldier guards a federal building housing a drugs haul. The war against drugs has forced the military to adopt a higher public profile Reuters

Big ideas bring big changes in the Big Apple

By Tracy Corrigan in New York

New Yorkers may not speak fondly of Mayor Rudolph Giuliani, who this year has toyed with jay-walking controls and surveillance cameras in public places – hardly ideas likely to be crowd pleasers.

Nevertheless the renaissance of the Big Apple in the last 10 years is undisputed, and most New Yorkers grudgingly give the mayor at least some of the credit for the city's successful fightback against crime over the last 10 years.

Landmarks such as Central Park and Washington Square have been reclaimed by New Yorkers once squeezed out not only by filth and squalour, but also by fear.

Preliminary homicide figures for 1998 tell a graphic story.

According to Police Department figures, the 606 murders in the five boroughs of New York City this year, as of a week ago, suggest a rate comparable with 1964, when there were 636 murders.

Eight years ago a record 2,262 people were killed. The number of rapes, robberies, assaults, burglaries, car thefts and grand larcenies is also down sharply.

The trend is part of a six-year decline in crime across the US, but the drop has been more significant in New York than in any other city.

Some experts argue that the dramatic fall in the city's crime rate is a significant factor in the national trend.

According to figures released by the Department of Justice yesterday, the violent crime rate in the US fell almost 7 per cent in 1997 – the latest year for which statistics are available – to the lowest level since the National Crime Victimisation Survey was started 25 years ago.

In 1997 there were an estimated 39 violent crimes per 1,000 US residents 12 years or older – a 21 per cent drop since 1993.

The 18,210 murders in the US in 1997 marked a 28 per cent drop since 1993.

The policing methods known as zero tolerance, introduced in New York City by former police chief William Bratton and widely credited with helping to turn around the city's problems, have been widely imitated.

The "broken windows" theory – that once a broken window in a building is not replaced it will lead to a downward spiral of anti-social and criminal behaviour – has gained ground.

Nevertheless, there are other factors at work, including the improving economy and the growing prison population, which share some of the credit.

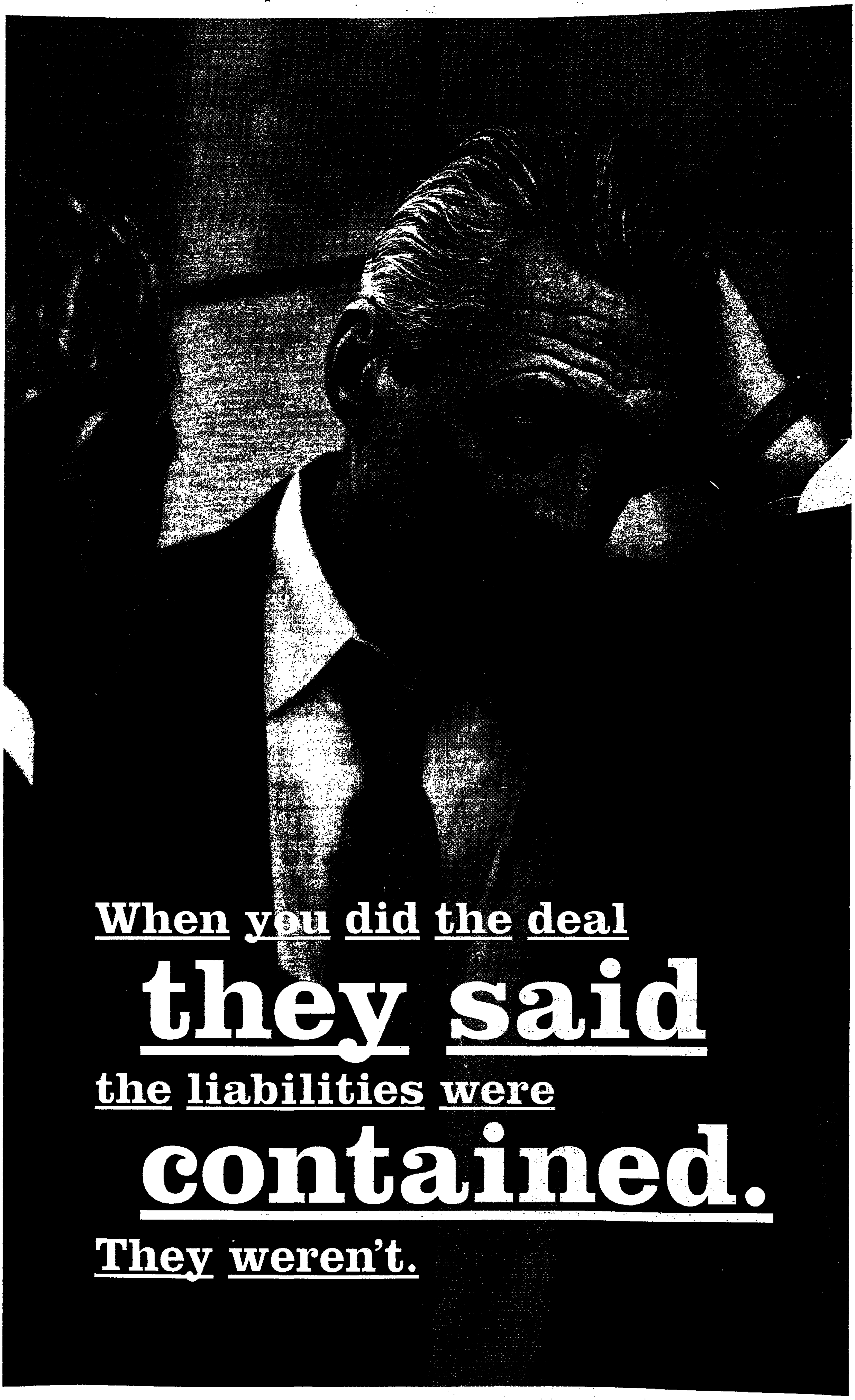
Statistics aside, Mayor Giuliani and the New York Police Department's current and former police chiefs – locked in seemingly eternal combat for their own share of the glory – have helped make New York feel safe.

Beat cops are once again familiar figures in New York neighbourhoods, and begging has become relatively rare.

While the recent closure of topless bars was controversial, the cleaning up of the area around Times Square, a notorious red light district in the 1980s, has won plaudits.

These days New York feels oddly safe compared with European cities with much lower murder rates: one reason is that despite – or because of – New York's long drinking hours it is rare to see crowds of drunken youths in the street and rarer still to see the fights and brawls common in some parts of western Europe.

The absence of low level violence, while not directly linked to the statistical risk of being murdered, is certainly enhancing the quality of life for New Yorkers.



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Netanyahu's chief rival pulls out of Likud contest

By Judy Dempsey in Jerusalem

Benjamin Netanyahu yesterday increased his chances of being re-elected head of the Likud party and running for re-election as Israeli prime minister after one of his most influential challengers bowed out of the race.

Ehud Olmert, mayor of Jerusalem and Mr Netanyahu's long-term rival, decided not to run for the leadership after failing to enlist the support of Yitzhak Mordechai, the defence minister, a popular politician who wants to keep his political options open.

Mr Olmert's decision followed the defection from Likud of Dan Meridor, a former finance minister, to join a new centrist party with Amnon Lipkin-Shahak, former chief of staff, and Roni Milo, former mayor of Tel Aviv.

The trio hope to form a formidable alternative to both Likud and the opposition Labour party ahead of elections, whose date has still to be set.

Early elections were called last week after the Knesset (parliament) overwhelmingly opposed Mr Netanyahu's handling of the peace process with the Palestinians and called for dissolution.

Mr Olmert's withdrawal from the leadership race does not, however, leave Mr Netanyahu unassailable since Likud is far from united. Its moderate camp wants to continue the peace process with the Palestinians – even accepting the principle of exchanging land for peace.

On the other side are hardline nationalists, bitterly opposed to Mr Netanyahu's decision to sign the Wye accord with the Palestinians last October in Washington. That camp is headed by Uzi Landau, a Likud veteran and chairman of the parliamentary foreign affairs and defence committee.

Yesterday Mr Landau announced that he was a candidate for the party leadership. But few Likud officials believe Mr Landau is charismatic or powerful enough to dislodge Mr Netanyahu.

For his part, Mr Netanyahu must convince the party he is the only one capable of beating Ehud Barak, opposition Labour party leader, for the premiership.

Opinion polls, however, tell a different story. Mr Netanyahu's zig-zagging on the peace process and his reputation for inconsistency has catapulted Mr Barak into the lead. The polls show 15 per cent still undecided and a margin or error of around 4 per cent. But they put Mr Barak ahead of the prime minister for the first time, leading 45 per cent to 38 per cent in a second round vote for the premiership.

■ The five-nation group monitoring a ceasefire agreement in south Lebanon has blamed Israel and Hizbollah guerrillas for killing and wounding civilians, Reuters reports from Tyre.

The monitors said Israel had breached the agreement when it killed a woman and six of her children in a botched air raid on the Bekaa Valley last Tuesday.

It also held pro-Iranian Hizbollah responsible for wounding 16 civilians and damaging civilian property when it fired Katyusha rockets into northern Israel last Wednesday.

The monitoring group, with representatives from the US, Lebanon, Israel, Syria and France, was set up in 1996.

Veteran Likud right-winger Uzi Landau, left, announcing yesterday that he would challenge Benjamin Netanyahu for the party leadership. Supporting him was former prime minister Yitzhak Shamir, right

Japan's banks understated risky loans, audit shows

By Naoko Nakamae in Tokyo

Japan's Financial Supervisory Agency, the banking watchdog, says the country's 17 largest banks had risky loans totalling Y49,490bn ($427bn) at the end of March, Y5,410bn above the banks' own estimates of Y44,080bn.

The findings, released at the weekend as part of the FSA's inspection of 19 banks which started in August, will be critical in implementing the government's plan to inject up to Y25,000bn ($204bn) of public funds into the banks' capital base.

The latest total accounts for 12.6 per cent of the banks' outstanding loans, and has renewed concerns over the accuracy of the banks' own classification of problem debt and whether they have put aside enough money to cover losses. Although the 17 banks had posted Y7,560bn in loan loss charges at the end of March, the audit showed that they needed to post Y8,600bn. The FSA also said that most of the discrepancies had been with regard to major borrowers and affiliates.

The banks had also underestimated their category two or "grey" loans, which are defined as having above average collection risk. The inspection showed that the 17 banks had Y43,780bn of category two loans, compared with the banks' own estimates of Y40,190bn. It also emerged that they still had Y375.6bn of category four loans, which are considered irrecoverable, compared with their own estimates of Y124.5bn.

Hiromu Nonaka, the chief cabinet secretary, said the results of the inspection did not mean that the banks were in an operational crisis. But the inspections, conducted jointly with the Bank of Japan, have already found two major banks to be insolvent: the Long-Term Credit Bank of Japan was nationalised in October and Nippon Credit Bank was placed under state control this month.

If the problem loans of these two banks were added, the total would rise to over Y57,000bn, according to FSA sources.

The inspection of NCB had previously shown its bad and potentially problematic loans to be more than Y3,700bn – considerably higher than the Y3,200bn NCB had admitted.

The FSA says it is now examining around 125 regional banks.

The results of the inspection were announced two days after Standard & Poor's, the credit ratings agency, had downgraded six leading banks. The agency said it had lowered ratings for the Industrial Bank of Japan, Sanwa Bank, Sumitomo Bank, Daiichi Kangyo Bank, Tokai Bank and Daiwa Bank, because of increased credit costs and unrealised losses on equity holdings.

Fuji Bank, which had its credit rating affirmed, announced that it had provided Y18.6bn to aid Fuyo Sogo Kaihatsu KK, a financial affiliate.

CHINA TELECOMS MARKET ATTEMPTS TO FAVOUR LOCAL VENTURES 'WILL DISCOURAGE INVESTORS FROM ABROAD'

Siemens warns of threat to foreign investment

By James Harding in Beijing and Greg McIvor in Stockholm

Siemens, one of the largest European investors in China, has warned that Beijing's plans to reduce foreign participation in its telecommunications market could deter future international investment in China.

Chinese initiatives to foster the growth of local mobile phone equipment manufacturers at the expense of foreign competitors provoked a strong reaction from Ernst Behrens, president of Siemens China.

"These kind of regulations could lead to a very significant reduction in foreign investment," he said in an interview.

This month, two Chinese government documents came to light detailing plans to reduce foreigners' share of the $7.2bn mobile telecoms equipment market and raise domestic manufacturers' share from about 10 per cent today to 70 per cent by 2003. Mr Behrens said the plans would reveal Beijing's commitment to open competition and its attitude to foreign investors.

China has already this year promoted regulations in areas such as retailing and insurance that threaten to present new obstacles to foreign entry into the Chinese market.

Beijing has also tightened foreign exchange controls. "We are now getting into a stage of maturity in certain local industries that we did not have 10 years ago... Foreign investors expect an even competition base. If this is not being given and we are not operating on an even footing, then we have a very serious problem," said Mr Behrens.

Siemens, which employs 27,000 people and operates 45 joint ventures in manufacturing, engineering and hi-tech industries, generated turnover of DM3.5bn ($2bn) in the fiscal year 1998 in China.

Industry observers say that a number of Siemens' joint ventures in China are loss-making.

Mr Behrens acknowledged that business conditions in China had become markedly tougher in the past year or so, particularly with the rise of domestic competition in the telecoms equipment industry and the power sector as well as overcapacity in the white goods business. But he said that overall, Siemens China was profitable.

However, he said joint ventures had tended to take longer than forecast to break even and that a few of the company's joint ventures were still in the start-up phase. Siemens does not disclose profits figures, but at a recent strategy meeting the management identified its chief priority as the "improvement in profitability".

China's booming cellular telephone market has become a goldmine for large foreign equipment suppliers such as Ericsson of Sweden and Finland's Nokia. China is the largest mobile systems market for Ericsson of Sweden and is one of the top two markets for Finland's Nokia, alongside the US.

Nokia officials said the company was sanguine about the threat of restrictions on foreign equipment suppliers in the absence of any official statement on the matter by the Chinese government.

Former Tehran mayor plans further appeal

By Robin Allen in Dubai

Gholamhossein Karbaschi, the popular former mayor of Tehran, is to seek to appeal to Iran's supreme court after an appeal court last week upheld his conviction on corruption charges.

The appeal court reduced his prison sentence from five years to two, and reduced a ban on his holding executive office from 20 years to 10.

Mr Karbaschi, a leading supporter of President Mohammad Khatami's reformist policies and one of the principal architects of his election victory in May 1997, was sentenced last July to five years in jail and 60 lashes for corruption and embezzlement, in a case widely alleged to have been a political trial rigged by the hardline judiciary headed by Mohammad Yazdi, who has himself been accused in the local press of financial irregularities.

The sentence of 60 lashes was converted to a fine of IR1bn, about $570,000 at the "official floating" rate. Mr Karbaschi was also ordered to make restitution for "looted" public property worth IR600m.

"We feel the sentence was unjust," said Mr Karbaschi's lawyer Bahman Keshavarz. Permission would be sought from the prosecutor-general to make a further appeal to the supreme court.

Senior western diplomats said yesterday some kind of deal to reduce the sentence further was still possible but Mr Karbaschi's only chance of escaping prison lay in a pardon from Ayatollah Ali Khamenei, Iran's supreme leader.

Such a pardon would enhance Mr Khamenei's popularity and strengthen the position of President Khatami, whose proposals for social and economic reforms are being resisted by conservatives who hold most of the constitutional levers of power.

Conservatives are likely to resist any move to pardon Mr Karbaschi.

Australia fisheries industry buoyant

By Lisa Murray and Gwen Robinson in Sydney

Australia's fisheries industry grew 5 per cent to A$1.7bn (US$1.1bn) in the year to June, despite a downturn in traditional Asian export markets.

The gains were due partly to favourable foreign exchange rates following the Australian dollar's slide to record lows this year. Exports, which accounted for about 80 per cent of total production, rose about 14 per cent to $1.5bn, while imports rose 17 per cent to $820m.

Exports of rock lobsters, mainly from Western Australia, represented nearly 30 per cent of the total value of fisheries exports, reaching A$424.2m in the year.

A government fisheries report this month urged the industry – Australia's fifth most valuable rural industry – to take urgent action to rehabilitate fisheries habitats.

Fishing stocks had been depleted by pollution, overfishing and habitat destruction, said the fisheries minister, Mark Vaile.

The largest importers of Australian fisheries products continued to be Japan, Hong Kong and Taiwan, although China and US markets grew rapidly. Exports to mainland China rose sharply in both value and volume terms, increasing to A$75.2m from A$31m, while those to Taiwan almost halved to A$42m and those to Hong Kong also plunged.

Fisheries analysts said the industry had shown resilience in the face of the region's economic downturn, particularly as the Asia-Pacific region accounted for about 97 per cent of total fisheries exports.

Among Australia's main fisheries regions, Western Australia continued to be the largest producer and accounted for nearly 30 per cent of fisheries production. The state's production volume, however, fell 3 per cent from last year.

Khieu Samphan in 1992. He may escape a genocide trial

Top Khmer Rouge leaders may escape genocide trial

By Ted Bardacke in Bangkok

The two leaders of the Khmer Rouge who defected to the Cambodian government at the weekend may be able to avoid being tried for crimes committed during their genocidal regime two decades ago.

Khieu Samphan and Nuon Chea, the former prime minister and chief ideologue respectively of the Khmer Rouge, had been living in the jungle along the Thai-Cambodian border since their movement disintegrated with the death of its supreme leader, Pol Pot, earlier this year.

They have now moved into territory controlled by other defectors, who have been granted immunity by the Cambodian government.

The Cambodian prime minister, Hun Sen, desperate to legitimise himself after a botched election in July, had said he wanted to capture the two elderly men and put them on trial, either inside Cambodia or via an international tribunal.

In November UN experts visited Cambodia to look at the possibility of setting up a genocide trial similar to those in Rwanda and the former Yugoslavia.

But Mr Samphan and Mr Nuon Chea have taken refuge in Pailin, home of another former Khmer Rouge leader, Ieng Sary, who surrendered to government forces in 1996 in exchange for an amnesty and autonomy in the gemstone-rich area.

There they "defected" and said that they would not leave until Mr Hun Sen guaranteed that they would not be handed over to an international court.

Mr Ieng Sary is unlikely to hand over his former comrades for fear that he himself will be put on trial. The government does not want to jeopardise the peace accord it has with Mr Ieng Sary by forcing the issue.

Mr Hun Sen welcomed the two "back to society" and hoped it would contribute to "national reconciliation". A senior government official said Ta Mok, the Khmer Rouge military leader known as "The Butcher", who remains at large, should be caught and held "solely responsible" for Khmer Rouge crimes.

A trial held by the Cambodian court system is being held out as a possible, if imperfect, compromise. That idea has upset many human rights organisations that say the notoriously corrupt judiciary will hold a "show trial" that keeps the hundreds of other former Khmer Rouge cadres in government positions, including Mr Hun Sen himself, out of danger of being compromised.

"No trial is OK, that will help put things behind us. But we need some accountability to prevent it from happening again," said one Cambodian human rights worker, expressing frustration that Cambodian leaders routinely express ignorance of other mechanisms of "national reconciliation" such as South Africa's Truth Commission.

Business leaders turn peacemakers in Sri Lanka

After the failure of the army's Operation Sure Victory and with politicians divided about how to end 26 years of separatist conflict, the commercial elite of the ethnically riven country is focusing on the problem. Amal Jayasinghe reports

When Sri Lanka's top businessmen met a few weeks ago to discuss the drawn-out Tamil separatist war, the press and politicians promptly claimed they were "privatising" the peace process.

However, the process so far is having little more success than the state's efforts to resolve the conflict – politically or militarily.

Shortly after the main trade and commerce chambers held their crisis meeting, the separatist Liberation Tigers of Tamil Eelam (LTTE) offered what they called unconditional peace talks. But the new army chief, Srilal Weerasooriya, who took over this month, rejected the peace overtures made by Velupillai Prabhakaran, the LTTE leader, saying they were not genuine.

Gen Weerasooriya said Mr Prabhakaran's latest offer was subject to government forces withdrawing to positions they held in 1995.

"If the LTTE is genuine they should not ask us to withdraw," Gen Weerasooriya said. "I don't like to sacrifice my men again." He was referring to three previous peace attempts that went sour and led to more bloodshed since 1987.

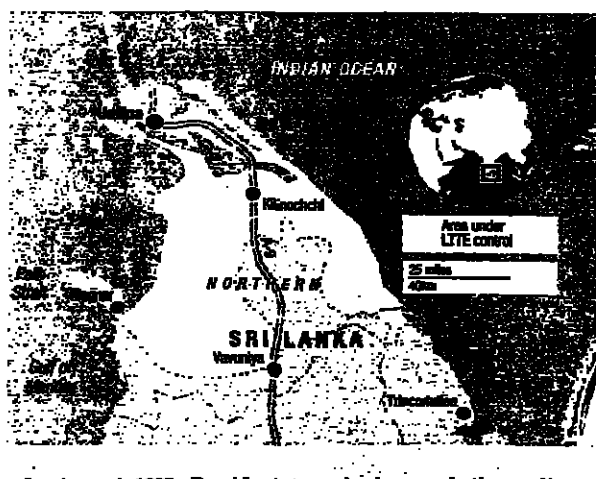
Although the general is upbeat about weakening the LTTE, regarded as one of the most ruthlessly efficient guerrilla organisations in the world, not many in Sri Lanka are convinced of an early victory for either side.

Earlier this month, the government called off the biggest and the bloodiest military campaign against the LTTE in the face of intense resistance. Operation "Jayasikuru", or Sure Victory, aimed at capturing a strategic highway in the north of the country from the LTTE, was abandoned after 18 months and the loss of thousands of lives on both sides.

At the beginning of the year, G. L. Peiris, deputy finance minister, said the capture of the A-9 highway to the northern peninsula of Jaffna would "substantially change the fortunes of war".

The government is now banking more on the businessmen's initiative to bring about a breakthrough in political efforts to end the conflict.

The two main political parties are unable to agree on how to deal with the Tamil Tiger rebels and, if progress is to be made in the peace process, the first requirement is consensus between them.



In August 1995, President Chandrika Kumaratunga unveiled a radical political package which seeks to turn Sri Lanka into a *de facto* federal state in all but name, but the move has failed to win parliamentary support.

The package is opposed by both the main opposition United National Party (UNP), which holds the balance of power in parliament, and the LTTE, without whose participation a peace bid has little chance of success.

The businessmen are trying to see if they can bring the UNP, led by former prime minister Ranil Wickremesinghe, and the ruling People's Alliance of President Kumaratunga to adopt a bipartisan approach.

The latest initiative of the private sector came after the tiny Colombo stock exchange started a steady slide, with the all share price index falling below 500 points from a high of 1,300 in February 1994.

After spending two hours in conference at the Bandaranaike Memorial International Conference Hall, the private sector leaders agreed that "peace should be their number one priority".

The leader of the private initiative, Lalith Kotalawela, said: "We have taken up this because it is too important a matter to leave in the hands of the politician."

Politicians were naturally sceptical. "This is the 1,001st meeting I am attending on finding a solution to the problem," said an exasperated Tamil legislator, Dharmalingam Sidhathan.

Another Tamil politician, Suresh Premachandran, added: "This is the privatisation of peace. It is good if they can bring the UNP and the government together but I have my doubts."

The separatist conflict has claimed more than 55,000 lives in the past 26 years and continues to gnaw at the country's balance sheet. The International Monetary Fund, which had earlier praised Sri Lanka's economic performance in the face of financial crises in some of its neighbours in south-east Asia, says the country's budget for next year is unrealistic.

The IMF representative in Sri Lanka, Anton Op De Beke, said overruns in defence expenditure coupled with falling revenues affected Sri Lanka's budget this year and next year's projections did not appear to be realistic.

While defence spending might be beyond anyone's control there was no excuse for not keeping to the other fiscal targets, Mr Op De Beke said.

"The fiscal deficit coming down next year is based on lower defence expenditure. If it does, then it can be considered a bonus, but you can't have it as the centrepiece to bring down the deficit," he said.

The government expects economic growth this year to slow to 5.0 per cent compared kwith 6.4 per cent last year and the budget deficit to narrow slightly next year to 7 per cent of GDP.

هكذا أمن الاحتلال

EU action on 'unfair' tax breaks backed

By Kevin Brown, Industry Editor

British companies would back European Union action to stop governments manipulating business taxes to attract cross-border investment, according to Adair Turner, director general of the Confederation of British Industry.

Mr Turner told the Financial Times in an interview that the CBI's 2,500 direct and 200,000 indirect members would be asked in the first quarter of next year to back a policy framework supporting action against "unfair" tax competition.

"It is not unreasonable to say that within the single market there should be a limit on highly targeted tax reductions which attempt to focus on very specific and highly mobile categories of industry," Mr Turner said.

"If you allow that, you might just as well allow public subsidies." Mr Turner said the government should not preclude "sensible harmonisation" which removed "dubious benefits in relation to those areas of business taxation which clearly are unfair".

He said examples would include tax breaks or reduced rates of business tax aimed at specific companies or industries. "What we are saying is that there is no need to exclude the possibility of unanimous agreement to simultaneously stop these specific forms of clear tax competition," he said.

Mr Turner's comments follow bitter denunciations by Eurosceptic politicians and newspapers of German calls for moves towards a common approach to corporate taxation and EU majority voting on tax issues.

Tony Blair and Gerhard Schroder, the German chancellor, attempted to take the heat out of the issue in a joint statement earlier this month opposing "a unified European system of corporate taxation".

However, the German government remains committed to majority voting and elimination of tax distortions such as the reduced rate systems operated by Ireland and the Netherlands to attract inward investment.

Mr Turner said the consultation paper to be put to CBI members would oppose a move to majority voting, and any move to harmonise tax rates.

"We do not accept that a single European market, even with a single currency, requires equalisation of tax rates," he said. "The US has no federal laws restricting states' ability to vary income tax, property taxes or some elements of corporate tax."

Mr Turner said much of the argument for harmonisation of business tax rates was misplaced because the tax take from businesses in France and Germany was actually lower than in the UK.

This is because the tax burden depends on the tax base as well as the rate. French and German companies pay a higher rate of tax, but the bill is based on a smaller proportion of their income because of generous allowances.

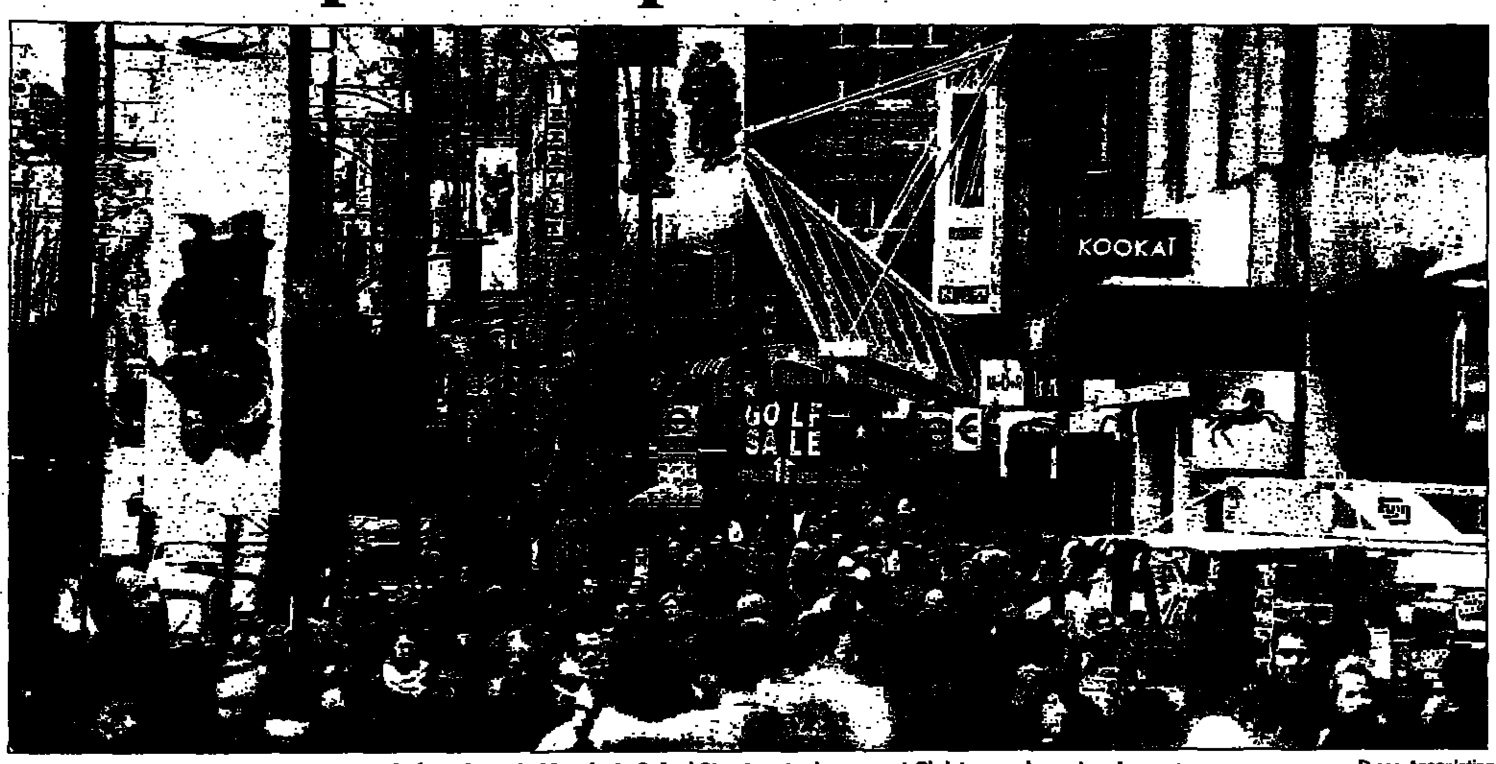
"You cannot harmonise tax rates without harmonising tax bases, which would take decades," he said.

"If the German government thinks Germany's high unemployment rate is because it is being undercut by low corporate taxes elsewhere, what we have is the dangerous phenomenon of a major government believing something which is completely untrue."

RETAILING STORES REPORT HEALTHY TRADING THAT COULD RESCUE POOR PRE-CHRISTMAS PERFORMANCE IN SOME CASES

Bargain-hunters pack shops as sales fever strikes

By Brian Groom and Christopher Adams



Markdown mania: eager shoppers came out in force in central London's Oxford Street yesterday as post-Christmas sales got under way Press Association

Guerrilla shopping, you might call it. Hold back until retailers lose their nerve, start buying when pre-Christmas discounts appear, then go out in force for the sales.

Britain's retailers, caught out last year, tried to protect themselves by delaying stock purchases. Economic slowdown has raised the stakes, however, and a battle of wits with canny customers was under way by the time sales started yesterday.

Stores reported healthy trading – potentially good enough in some cases to rescue a poor pre-Christmas performance. Results will not be clear until they have calculated profit margins as well as turnover.

The Metro centre at Gateshead in northern England welcomed a record 18,000 shoppers an hour in search of discounts of up to 80 per cent. "Customers are spending and it looks as if they have kept money back for the sales," said Ron Woodman, general manager.

At Lakeside in Essex, south-east England, 100,000 shoppers turned up. Retailers were pleased but discounting was heavy. "Fifty per cent off is the norm even for the major players, and some shops are offering 70 or 80 per cent," said Richard Belt, general manager.

A record 137,000 came on the Monday before Christmas. "They got wind that certain retailers in sectors such as footwear and menswear had started their sales early," he said.

Discounting was less heavy at Merry Hill in the West Midlands. After bucking the national trend by trading well for two weeks before Christmas, it was busy again yesterday. Marks and Spencer took more money in the first three hours than in its first 12 hours last year.

At Selfridges in central London's Oxford Street, bargain-hunters thronged clothing and footwear departments looking for discounts of up to 50 per cent.

The canniest shoppers were at Sheffield's Meadowhall centre, in northern England, where Christmas cards and wrapping paper sold well yesterday. "People are stocking up for next year," said Jeanette Booth, a manager.

A last-minute rush was seen even in the luxury sector. Mappin & Webb, the jeweller, normally sees steady trade in November and December, but this year a flood came in the last few days.

"It saved us from a poor performance," said Judith Pilkington, chief executive of M & W Group, which also owns Watches of Switzerland. Customers started buying when they realised the economic downturn was not affecting them personally.

Nationally, Dixons, the electrical goods group, said sales had started well.

TRANSPORT

Brussels plan to speed up rail freight links founders

By Charles Batchelor, Transport Correspondent

A European Commission initiative to open up the European rail network to fast and affordable freight services has foundered because of the refusal of individual rail administrations to co-operate.

Attempts to create a new fast link between the UK and Hungary had identified a route and the existence of strong demand.

But the national railways had yet to provide quotes for the use of track or hire of a locomotive, said Julia Clarke, director of the UK Rail Freight Group, representing freight operators and their customers.

Neil Kinnock, EU transport commissioner, appealed last week to the French government and SNCF, the French national railways, to co-operate with his plans to open up national rail networks to international freight operators.

The French have been particularly resistant to the idea of allowing others to run trains across their tracks though Germany has made use of high track-access charges to deter competitors.

Trans-European rail freight freeways were launched by Mr Kinnock in July 1996 to improve the competitiveness of rail against road transport.

It identified a handful of routes across the Continent including ones running from the Dutch and Belgian ports to Italy where it hoped to persuade the national railways to co-operate in speeding services.

Freight trains travel at an average speed of only 15kph because of border delays and the need to change crews and locomotives at national boundaries. Between 1970 and 1994 rail lost half its freight market share, falling from 32 to 16 per cent of the total.

Attempts to create a fast route between London and Sopron in Hungary were being held up because at least some railways on the route were refusing to provide prices, were unwilling to hand over responsibility for hiring out their track or wanted to charge too much, said Ms Clarke.

Colin Beaumont, director-general of the British International Freight Association, said rail freight in Europe was unreliable, bureaucratic and poor at providing customer service. In many countries freight was given a low priority on the rail network and frequently involved extensive documentation, he said.

He warned that some companies were considering switching to road freight despite the problems of congestion on roads.

Freight operators believe that average train speeds could be increased to 50kph by giving priority to freight and simplifying border controls.

Customers also want a quicker and simpler method of obtaining quotes for a particular journey.

Mr Kinnock's initiative involved establishing a one-stop shop for each route. This would have been one of the railways involved which would have dealt with all queries.

At present freight operators must obtain a quote from every railway company along a route, a process that is expensive and time-consuming.

Road hauliers, by contrast, can give a shipper an immediate price for a particular journey.

Regulator has doubts on power station sale

By Andrew Taylor, Utilities Correspondent

A plan to sell one of the world's biggest coal-fired power stations, Drax in north Yorkshire, to encourage more price competition among generators is causing concern to the industry regulator.

National Power, Britain's largest fossil-fuel generator, hopes that by selling Drax it will overcome potential ministerial opposition to its agreed £180m ($300m) cash takeover of the power supply business of Midlands Electricity, serving 2.2m customers.

The government has requested National Power and PowerGen, the second largest fossil-fuel generator, to sell plant to cut their price-setting power and encourage competition.

Stephen Littlechild, the electricity industry regulator, is understood to be concerned that the operating pattern at Drax will not enable it to influence electricity wholesale prices. Its disposal therefore might not increase competition sufficiently.

The government until this autumn had opposed attempts by large generators to buy electricity retail supply businesses.

Peter Mandelson, former trade and industry secretary, last month approved the £1.9m takeover by PowerGen of East Midlands, the third largest power supplier.

To win approval PowerGen agreed to sell two 2,000MW coal-fired power stations: Ferrybridge C in Yorkshire and Fiddler's Ferry in Cheshire. This was less than the electricity regulator had advised should be necessary.

The 4,000MW Drax plant, one of the most modern in Europe, is the same capacity as the two PowerGen plants combined but generates considerably more electricity. It is expected to fetch about £2bn. The regulator is concerned that a new owner, paying a high purchase price, would expect to run Drax more nearly continuously than other UK coal-fired plant that sets the price for many wholesale electricity transactions.

Under UK power trading arrangements power stations bid against each other to supply electricity during half-hourly trading periods. Power stations offering the lowest prices are chosen first. However, generators, instead of receiving what they bid get a market clearing price based on the last accepted offer required to meet all demand in the half hour.

Gas-fired and nuclear power stations can bid as low as zero, to ensure they keep running near continuously, confident they will usually receive a higher price set, more often than not, by a coal plant.

Drax, if it is run more intensely, would be less likely to be a price-setting plant and have less impact in reducing the market power of the large generators, say industry analysts.

The government has requested generators to sell under-used coal plant to protect coal sales to power stations while new electricity trading arrangements are introduced.

National Power said yesterday: "Drax is already being used as price-setting plant and this will increase, irrespective of who owns it, because of the large amounts of new gas-fired plant due to come on stream shortly."

The regulator is due early next year to pass his recommendation on the proposed Drax proposal and purchase of Midlands supply business to Stephen Byers, the new trade and industry secretary.

Opposition urges inquiry into role of 'New Labour's godfather'

By Robert Peston, Political Editor

Geoffrey Robinson, who resigned as a minister last week, financed or arranged the legal and financial preparations for the government's most important early initiatives, including its £5.2bn ($8.7bn) windfall tax and overhaul of the corporate tax system.

The full extent of the prime minister's and the chancellor's political debt to Mr Robinson has never been detailed in the register of members' interest or in Labour party accounts.

It will fuel opposition Conservative party calls for a "full, open and independent investigation" of Mr Robinson's links to ministers. Michael Howard, the Conservative spokesman on foreign affairs, yesterday alleged that Mr Robinson was "the godfather of New Labour".

Mr Robinson resigned as paymaster general of the Treasury following disclosure of his £373,000 personal loan to Peter Mandelson, who three hours earlier had quit as chief trade and industry minister.

Mr Robinson's departure came a year after the Conservatives began a concerted campaign to highlight his failure to disclose company directorships in the MPs' register and his links with the late Robert Maxwell, the disgraced businessman.

"We need to know whether Blair [the prime minister] and Brown [the chancellor] attempted to repay Robinson by keeping him in office long after he had been discredited," said Peter Lilley, deputy leader of the Conservative party.

A senior government member said Mr Robinson arranged quality and expensive advice from senior barristers and accountancy firms on tax issues. "The work on the windfall tax was by far the most expensive," he said. "It allowed us, after the election, to execute our plans almost immediately, because there was very little left for Treasury civil servants to do".

Mr Robinson's financial contribution was kept secret, because it was channelled through a specially created company, the Political Economy Unit. Colleagues of Mr Brown insist this was not an attempt to circumvent Commons disclosure rules, but a necessary device to prevent leaks of Labour's pre-election work.

There is no mention of the Political Economy Unit in Mr Brown's January 1997 entry in the register of MPs' interest, when he was shadow chancellor. According to a friend, the reason for this was that the unit was working for the Labour party as a whole, not for Mr Brown's office in particular.

However, before the election Mr Brown's office was in part financed by Mr Robinson. Since Labour's victory in May 1997, he has helped to fund a party newsletter created by Mr Brown on Labour's economic case.

Again there is no reference to either of these initiatives in Mr Brown's entry in the MPs' register. "Robinson and Brown pool certain resources as MPs," said a government member. "The rules are quite clear that there is no disclosure requirement in these circumstances." Conservatives will say this is a grey area and are likely to call for an inquiry by the commissioner for parliamentary standards.

Geoffrey Robinson: resigned from the government last week

Watchdog warns on pensions mis-selling deadline

By Jane Martinson, Investment Correspondent

The Personal Investmen Authority warned th personal pensions industr that all cases of mis-sellin had to be cleared up by th year-end as it fined a furthe 11 firms on Christmas ev for failure to meet a previou deadline.

The 11 independen financial advisers were fine a total of £38,000 ($63,840) fo failing to meet las December's deadline fo settling 90 per cent of the most urgent cases.

Some 248 firms have bee fined a total of £5.7m sinc the personal pensions revie was launched followin widespread unease about th advice given to employee with existing occupation schemes.

All urgent cases must b dealt with by December 3 this year, and the PI warned the industry th this was a "much mo serious deadline" tha the previous one o Thursday.

The 11 firms fined o Thursday faced a maximu penalty of £4,000.

In total, 668,000 cases o possible mis-selling hav been considered as part o the review.

So far no individual fir has been fined more tha once – but that could chang if companies fail to meet th deadline.

WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY

Abbey National Fxd/FRN Y2000000.0
Bayerische Hypotheken-und Wechsel Bank Nts 1999 7⅝% £76.25
BG ADR $0.4529
Smith & Nephew 5½% Cv Bd 2000 $275.0

■ TOMORROW

Abbey National Treasury 7½% Gtd Nts 1998 FFr750.0
Acres (No 1) Class M2 Comm Mtg Bckd FRN 2005 £218.18
Do (No 2) Class A Mtg Bckd FRN 2007 £80.22
Do Class M1 £194.99
Do Class M2 £204.96
Do (No 3) Class A Mtg Bckd FRN 2006 £116.16
Do Class M1 £185.84
Do Class M2 £191.22
All Nippon Airways 4.4% Nts 2000 Y440000.0
British Aerospace 11⅞% Bd 2008 £593.75
Cadbury-Schweppes 8% Nts 2000 £80.0
Ebara 4½% Bd 2000 Y450000.0
Fin Rcvbld for Sec Transactions No 4 Mezz Asset-Bckd FRN 2010 £2204.49
Do Snr Asset-Bckd FRN 2010 £420.58
Fleming Worldwide Inc Inv Tst 1p
Do Units 1p
Foreign & Col Inc Grwth Inv 0.8p
Havelock Europa 1.75p
Hitachi Credit 5⅞% Nts 2000 $58.75
Italy FRN 2000 $295.47
Kyushu Elec Power 8⅛% Nts 1999 $406.25
Metropolitan Water Brd Kent Water 3% Db £1.50
Midland Bank Und Prim Cap FRN (Jun 1985) $305.00
Narborough Plantations 1.2p
Do 20% Cm Pf 1p
Nat West Bank 8⅛% Step-up Sb Nts 2011 £812.50
Nova Scotia 7% Nts 2000 C$70.0
Portsmouth & Sunderland Newspapers 5.97p
Residential Prop Secs No 3 Class A2 Mtg Bckd FRN 2025 £1129.41
Do Class B £2149.37
SmithKline Beecham 8⅜% Gtd Nts 2000 £83.75
Stars 1 Class A Mtg Bckd FRN 2029 £77.44
Toyota Motor Credit 7¼% Nts 1999 £72.50

■ WED DECEMBER 30

Abbey National Treasury 7⅛% Gtd Nts 1998 £71.25
Do 7⅝% Gtd Nts 1998 £76.25
Canadian General Invs C$0.20
Cooperatieve Centrale Raiffeisen-Boerenleenbank 7% Bds 2000 £70
Helical Bar 4p
Jersey Pheonix 3.05p
Morgan Grenfell Equity Inc 4.7p
National Grid 7⅜% Bds 1999 £73.75
Nova Scotia 6¼% Nts 2002 C$62.50
Slough 11⅝% Bds 2012 £1162.50
State Bank of New South Wales 6½% Nts 2002 A$65
Tendring Hundred Thames Servs 4% Db £2
Venantius £72.50

■ THURS DECEMBER 31

Abbey National Treasury 7% Gtd Nts 1999 C$70.0
Do 7¾% Gtd Nts 2003 £77.50
Aggregate Inds 3.85% Cm Pf 1.925p
Do Cv Rd Pf 3.625p
Do Cm Rd Pf 2005 5.625p
AIM Distribution 2.25p
Alexanders 9½% Cm Pf 3.325p
Alliance UniChem 3.65p
Allied Lon Props 10¾% 1st Mtg Db 2025 £5.375
Anglo & O'seas Tst 8½% Db 2020 £4.25
Antofagasta 5% Cm Pf 2.5p
Asda Prop 5⅛% Cv Pf 2012 2.5625p
Do 9⅛% 1st Mtg Db 2020 £4.5625
Avon Rubber 4.9% Cm Pf 2.45p
Bampton 8¼% Un Ln 2002/07 £4.125
Bank Fur Arbeit und Wirtschaft FRN 1999 $308.33
Blue Circle 7⅝% Cv Pf 3.8125p
Bodycote 4.25
Braime (TF & JH) 5% Cm Pf 2.5p
Brake Bros 3.5p
Bristol Water 3½% Perp Db £1.75
Do 4% Perp Db £2.0
Do 4¼% Perp Db £2.125
Britannic Assurance 5% Tax-Free Cm Pf 2.5p
Britax Int 0.914p
British Fittings 5½% Cv Pf 2.75p
British Guiana Demerara Rlwy 4% Perp £2.0
Do Anns 50p
Brixton Est 5% Cm Pf 0.875p
Do 9½% 1st Mtg Db 2026 £4.75
Do 10¾% 1st Mtg Db 2025 £5.375
Do 11¼% 1st Mtg Db 2023 £5.625
Broadcastle 8p Cm Prf 4p
Broadstoner 6% Cm Pf 2.1p
Brunner Inv Tst 5% Cm Pf £1.75
Burford 9⅝% 1st Mtg Db 2019 £4.8125
Capital & Counties 11¼% 1st Mtg Db 2021 £5.625
Do 9⅞% 1st Mtg Db 2027 £4.9375
Capital for Cos VCT 1.75p
Capital Inds Cv Pd 2001/05 4p
Cap & Regional Props 6¾% Cv Un Ln 2006/16 £3.375
Capital Shopping Centres 6¼% Sb Cv Bd 2006 3.125p
Care First 11.8% 1st Mtg Db 2014 £5.90
CGU 8¾% Cm Prf 4.375p
Chamos 7% Cm Pf 2.45p
Chelsea Bldg Scty Sb FRN 1999 £43794.52
City of London Inv Tst 11½% Db 2014 £5.75
City Site Estates 7% Un Ln 2005/06 £3.50
Clydeport Operations 3% Irrd £1.50
Do 4% Irrd £2
Coats Patons 4½% Un Ln 2002/07 £2.25
Do 6¾% Un Ln 2002/07 £3.375
Cobham 4.2% 2nd Cm Pf 2.1p
Commonwealth Bank of Australia 10 Yr Ext FRN $300.84
Co-operative Wholesale 7⅝% 1st Mtg Db 2018 £3.8125
Coutts Consulting 2nd Cv Pf 4p
Croda Int 5.9% Pf 2.95p
Do 6.6% Pf 3.3p
Daewoo ¼% Cv Bd 2007 $25
De Beers Centenary Fin 9¾% Gtd Bd 2020 4.875p
Dee Valley Water 11⅜% Rd Db 1998/00 £5.6875
Delta 4.2% Cm 1st Pf 2.1p
Do 3.15% Cm 2nd Pf 1.575p
Dencora 6¼% Rd Pf 3.125p
Den Danske Bank Sb FRN 2000 $297.08
Denmark (Kingdom of) 13% Ln 2005 £6.50
Derby Tst 7½% Db 1999/2003 £3.75
Dumyat Inv Tst Cv Mnthly 0.5p
Eastbourne Water 11.2% Rd Db 2005/09 £5.60
Do 12½% Rd Db 2004 £6.25
Ecclesiastical Ins 10% Cm 2nd Rd Pf 5p
Do 8⅝% Non-Cm Irrd Pf 4.3125p
Edinburgh Inv Tst 11½% Db 2014 £5.75
EMAP 5% Cm Pf 1.75p
Energy Cap Inv 6% Cv Ln 1999 £3
Engelhard $0.10
Estates & Agency 11¼% 1st Mtg Db 2020 £5.625
Estates & Gen 11¼% 1st Mtg Db 2018 £5.625
Fidelity Euro Values Equity IL Un Ln 2001 1.4033p
Fidelity Special Values Equity IL Un Ln 2004 39.59p
Finance for People No2 Class A1 FRN 2034 £139.23
Do Class A2 FRN 2034 £190.33
Do Class B FRN 2034 £195.87
Do Class C FRN 2034 £208.98
Do No3 Class A FRN 2013 £190.83
Do Class B FRN 2013 £199.65
Do Class C FRN 2013 £218.56
Finlay (J) 2p
Do 4.2% Cm 1st Pf 2.1p
Do 4.2% Cm 2nd Pf 2.1p
Do 5% Cm 2nd Pf 2.5p
Flare 10% Cm Pf 5p
Fleming American Inv Tst 5% Cm Pf £1.75
Do 7% Cv Un Ln 1999 £3.50
Fleming Claverhouse Inv Tst 11% Db 2008 £5.50
Fleming Inc & Grwth Inv Tst 5% Cm Pf £1.75
Fleming Overseas Inv Tst 5% Cm Pf 1.75p
Folkestone & Dover Water 4% Perp Db £2.0
Do 5% Perp Db £2.50
Do 11½% Rd Db 2004 £5.75
F & C Inv Tst 11¼% Db 2014 £5.625
Fortnum & Mason 7% Cm Pf 2.45p
Friendly Hotels 5% Cv Pf 2.5p
Frogmore Ests 13.85% 1st Mtg Db 2000/03 £6.925
Fulcrum Inv Tst 1.4p
Gartmore Shared Equity Tst
Geared Inc 2.55p
Gaskell 5% Cm Pf 1.75p
GATX $0.25
Geest 4p
Glynwed Int 7¾% Cm Pf 2.7125p
G.R. 10½% 2nd Cm Pf 5.25p
Grampian 7% Cm Pf 2.45p
Halstead (J) 5½% Pf 1.925p
Hawtin 4.55% Pf 2.275p
Headlam 5.6% Pf 2.8p
Homer No3 Class A2 FRN 2036 £35.68
Do Class A3 £193.98
Do Mezz FRN £208.48
Hughes (TJ) 1.12p
Hunting 2.1p
IMI 5½% Un Ln 2001/06 £2.75
Invesco Enterprise Tst Cm Rd Stppd Pf 7.125p
Jarvis Hotels 3.80125-6.84225% Stppd Int 1st Mtg Db 2004 2.28075p
Jones & Shipman 4.9% Cm Pf 0.6125p
Jupiter Geared Cap & Inc Tst 1999 1.6p
Kayser Bondor 6% Cm Pf 2.1p
Kilroot Elec 9½% Db 2006/10 £4.75
Kvaerner 7% Un Db 3.5p
Do 10¼% Uns 2001/06 £5.125
London Park Hotels 10½% 1st Mtg Db 2000/05 £5.25
Manganese Bronze 8¼% Cm Pf 2.8875p
Marley 11⅞% Db 2009 £11.875
Marshalls 11⅜% Db 1992/2014 £5.6875
Marshalls Universal 7½% Rd Pf 3.75p
Marston Thompson & Evershed 7¼% Db 2027 £3.625
Martin Currie High Inc 1.3p
Marylebone Warwick Balfour 7½% Cv Un Ln 2020 £3.75
MEPC 12% Bd 2006 £600.0
Merivale Moore 10½% 1st Mtg Db 2020 £5.25
Mid-Kent Water 4% Perp Db £2.0
Do 5% Perp Db £2.5
Mid Southern Water 3½% Perp Db £1.75
Do 5% Perp Db £2.50
Mowlem (J) 2p
Mucklow (A & J) 7% Cm Pf 2.45p
Murray Int Tst 4% Db £2.0
Newey 5% Cm Prf 1.75p
Newton Chambers 5% 1st Cm Pf 1.75p
Northern Rock Bldg Scty 12⅝% Perp Sb Nts £63.125
Northern Telecom $0.075
Northumbrian Water 3¾% Rd Db 2012 £1.875
Do 12% Rd Db 2005 £6.0
Parma Food Jnr Asset Bckd FRN 2000 L1414541.0
Do Snr Asset Bckd FRN 2000 $1421.53
Partners 0.5p
Pittards 9.5% Cm Pf 4.75p
Plantation & Gen Invs 9% Cv Ln 1999 £4.50
Quarto 8.75p Pf 4.375p
Queens Moat Houses 12% 1st Mtg Db 2013 £6.0
Quicks 10% Cm Pf 5p
REA 9% Cm Pf 4.5p
Do 12% Ln 2000 £6.0
Regal Hotel Cv Bd Pf 2001 4p
Regal Hotel 9% 1st Mtg Db 2006 £4.50
Retail Corp 6½% Cm Pf 2.275p
Do 5¾% Cm 2nd Pf 2.0125p
Robinson (Ryders Green) 11% Pf 5.5p
Rotork 9½% Cm Pf 4.75p
Royal Bank of Canada Fltg Rate Db 2005 $44.13
Royal Bank of Scotland 5½% Cm Pf 1.925p
Do 11% Cm Pf 3.85p
Do Ser B Non-Cm Pf $0.70
Do Ser C Non-Cm $ Pf $0.59375
Rugby 6% Un Ln 1993/98 £3.0
Do 7¾% Un Ln 1993/98 £3.875
St Andrews Tst 5¼% Cm Pf £1.8375
Samsung ¼% Bds 2004 $12.50
Do Electro-Mechanics 2005 $12.50
Do Electronics Bds 2006 $12.50
Santander Finance 7.19% Prf $0.4544
Do 6¼% Prf DM0.395
Schroder Split Fd 2.1p
Science Systems 0.582p
Scottish Eastern Inv Tst 4½% Cm Pf £1.575
Scottish Mortgage & Tst 6-12% Stppd Int Db 2026 £6.0
Severn River Crossing 6% IL Db 2012 £3.638
Shires Smaller Co's 1.4p
Sirdar 7½% Cm Pf 2.625p
Slough Estates 11¼% 1st Mtg Db 2019 £5.625
Do 12⅜% Bd 2009 £6.1875
SmithKline Beecham 1.35p
Do ADR $0.2297
South African Brews R0.80
Stalexport 4½% Bds 2002 $45
Sunderland 3% Fd Debt Anns £1.50
Do 4½% Fd Debt Anns £2.25
Swan Hill 7% Cm Pf 2.45p
TBI Finance 8¾% Db 2019 £4.375
Temple Bar Inv Tst 9⅞% Db 2017 £4.9375
TMC Tattenham No1 FRN 2028 £33.98
Do Class A2 FRN 2028 £60.34
Do Class M FRN 2028 £61.53
Do Class B FRN 2028 £65.86
Tribune Tst 9⅛% Db 2012 £4.5625
Waddington 4.2% Cm Pf 2.1p
Do 5.6% Cm Pf 2.8p
Wells Fargo Sb FRN 2000 $45.21
West Kent Water 4% Perp Db £2.0
Whirlpool $0.34
Wilson (Connolly) 8% Cm 1st Pf 2.8p
Do 10.5% Cm 2nd Pf 5.25p
Wolverhampton & Dudley Brews 6% Cm Ptg Pf 2.8p
Wood (A) 7½% Cm Pf 2.625p
Wyevale Garden Centres 8.5p Cv Pf 4.25p
York Waterworks 5% Db £2.50

■ FRI JANUARY 1

Barbados 13½% Ln 6.75p
Baynes (C) Cv Pf 2.9p
BICC Cv Pf 4.3p
Birmingham 2½% 1926 £1.25
Do 3% 1947 £1.50
Do 3% 1932 £1.50
Do 3½% 1946 £1.75
Do Gas Anns 50p
Do Water Anns 50p
Blackburn 3½% Irrd £1.75
Do 4% Cons Db Irrd £2
Blockleys 6% Cm Pf 1.05p
Do 7% Cm Pf 2.45p
Calgary & Ed Rlwy 4% Db 2002 £2.0
Can Pacific 4% Perp Db £2.0
CGU 3½% Cm Pf 1.75p
City of Dresden 5½% Ln 1927 £2.75
Coastal $0.0625
Crane Europe 5½% Pf 1.925p
Denmark 3½% Ln 1901 £0.485275
Emess 6¼% Cv Prf 3.125p
Fleming O'seas Inv 4½% Perp Db £2.25
Friendly Hotels 4¾% Cv Pf 2.375p
Do 7% Cv Pf 3.5p
Do 11⅛% 1st Mtg Db 2015 £5.5625
Fuller Smith & Turner 4.2% Pf 2.1p
Do 8% 2nd Pf 4p
GTE $0.47
Hampton Tst 5½% Cm Rd Pf 2.75p
Do 8% Cv Un Ln 2020 £4.0
Hewetson 7% Cm Pf 3.5p
Hull 3½% £1.75
Iceland Cv Pf 2.75p
Kensington & Chelsea 11.15% Rd 2006 £5.575
Lilleshall 5% Pf 1.75p
Lincoln 3% Rd £1.50
Liverpool 2½% Rd £1.25
Do 2¾% Rd £1.375
Do 3½% £0.875
Lowland Inv 11¼% Db 2010 £5.625
Merchant Retail 0.15p
Mersey Docks 3⅝% Irrd Db £1.8125
Mucklow (AJ) 11½% 1st Mtg Db 2014 £5.75
Murray Income Tst 4¼% Pf 2.125p
New Brunswick Rlwy 4% Perp Db £2.0
Newcastle upon Tyne 3½% Irrd £1.75
Oldham 4% Db £2.0
P & O 6¾% Cv Pf 3.375p
Port of London 3% A 1929/99 £1.50
Powell Duffryn 4¾% Cm Pf 0.83125p
Reading 3% £1.50
Reckitt & Colman 5% Pf 1.75p
Renold 6% Cm Pf 2.1p
Republic New York $0.25
Russell (A) 5¾% Cv Pf 2.875p
Simon Eng 5.4% Pf 2.7p
Do 6% Pf 2.1p
Swansea 3½% £1.75
Three Valleys Water 4% Irrd Db £2.0
Do 3½% Irrd Db £1.75
Do 4% Irrd Db £2.0
Do 4% Irrd Db (1994) £2.0
Do 5% Irrd Db £2.50
Do 5% Irrd Db (1994) £2.50
Toronto Grey & Bruce Railway 4% 1st Mtg Bds £2
Xerox $0.36
Young & Co's Brew 3½% Irrd Db £1.75

■ SAT JANUARY 2

Abbey Natl 6.1% Dual Currency Nts 1999 Y2541.66
Abbot 7¼% Cv Prf 3.625p
Anglian Water 5⅛% Ind-Lkd 2008 £3.536
Booker 4.2p
Bristol Water 4% Db £2
Do 10.4% Db 2000/02 £5.20
British Empire Secs 8⅛% Db 2011 £5.1875
Do 10⅜% 2011 £5.1875
British Sugar 10¾% Db 2013 £5.375
Brunel 4.6p Cv Prf 2.3p
Bulmer (HP) 9½% Cm Prf 4.75p
Do 8¾% Cm Prf 4.375p
First Debenture Finance 11⅛% Db 2018 £5.5625
Fleming Inc & Gwth 2.25p
Hartstone 8% Cm Prf 4p
Hewetson 7% CV Prf 3.5p
Manchester Ship Canal 3½% 1st Mtg Dbs £1.75
Do 3½% Db £1.50
Do 4% 1st Mtg Db £2
Do 4% 2nd Mtg Db £2
Do 4& Perp Db £2
McCarthy & Stone 8¾% Cm Prf 2003 4.375p
Merchant Retail 5% Cm Prf 2.5p
Do 8¾% Uns Ln 1999/04 £4.375
Mid Kent Water 12¼% Db 2005 £6.125
Mid-Sussex Water 4% Db £2
Do 5% Db £2.50
Do 11% Db 2012/16 £5.50
Next 6.5p
Plantation & General Trust 9½% Cm Prf 4.75p
Rights & Issues Inv Cap 22.5365p
South Staffs Wtr 9% Prf 1998/00 4.5p
Do 3½% Db £1.75
Do 4% Db £2
Do 5% Db £2.50
Tops Estates 10¼% 1st Mtg 2011/16 £5.125
Town Centre Sec 2.85p

■ SUN JANUARY 3

Alida 9¼% Cm Prf 2008/13 4.625p
British Polythene Inds 9¼% Cm Prf 4.625p

UK COMPANIES

■ TOMORROW

COMPANY MEETINGS:
Sheffield United, Platinum Suite, Bramall Lane, Sheffield, 10.30

■ WED DEC 30

COMPANY MEETINGS:
Galaxy Media, 44, Worship Street, EC2, 9.00
OEM, 2-5, Stedham Place, WC1, 10.00

■ THURS DEC 31

COMPANY MEETINGS:
SWP, Theodore Goddard, 150, Aldersgate, EC1, 11.00

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results. This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements.

Watchdog warns on pensions mis-selling deadline

INSIDE TRACK

PROFILE BERND PISCHETSRIEDER, CHAIRMAN OF BMW

A hard-driving pilot for Rover

The acquisition of the British carmaker was a defining moment, but now it has become more of a liability, writes **Graham Bowley**

Acquiring Rover in early 1994, just a year after he became the chairman of BMW, was a defining moment for Bernd Pischetsrieder. This quiet-spoken Bavarian was still an unknown quantity in the world car industry.

The takeover allowed the young chairman to stamp his own mark on BMW and escape the long shadow cast by Eberhard von Kuenheim, his elderly predecessor, who had ruled the German luxury carmaker for 23 years.

Five years on, Rover is somewhat less of a feather in Mr Pischetsrieder's cap. Despite billions of D-Marks of investment, the British carmaker has still not made a profit. Instead, Rover has become an expensive liability for the 50-year-old chairman. The loss-making subsidiary has caused other problems for Mr Pischetsrieder within BMW and could, some suspect, even cost him his job.

Since reports of Rover's continued malaise emerged this autumn, BMW's Munich headquarters have been beset by rumours of deep dissatisfaction among the wealthy Quandt family, the company's principal shareholders, whose members control around half of BMW. Mr Pischetsrieder dismisses these rumours as "completely fictitious" but stories of boardroom manoeuvrings to unseat him and of potential takeover offers for BMW have not gone away.

Until Rover's troubles deepened, Mr Pischetsrieder had been doing well.

BMW had prospered under his stewardship. The new chief had opened up the company, making it more investor- and media-friendly in a way Mr von Kuenheim had never done. One observer says: "There has been a mini-revolution in the way the company has turned from being a bastion of tradition of German financial management, a closed shop, to being a much more open company".

More importantly, profits improved. BMW's own cars always had been very lucrative, but they became even more so under the new regime. Mr Pischetsrieder ramped up production while managing to retain the exclusive image and the top-of-the-range price tag. The "three series" model, the smallest car in the BMW stable, has been especially successful thanks to the efforts of Mr Pischetsrieder and Wolfgang Reitzle, head of development and BMW's undisputed number two, in creating a sportier look that has attracted younger buyers.

BMW's success has begun to attract emulators. In particular, Audi, the luxury brand owned by Volkswagen, has begun to chip away slightly at BMW's market share after aiming to position itself in the same niche.

There were other achievements. Earlier this year, Mr Pischetsrieder emerged, if not the victor, then with the upper hand in the battle for Rolls-Royce Motors. By the early summer, BMW appeared to have lost out to Volkswagen in the fight for the UK luxury carmaker. But Mr Pischetsrieder did not give up. Instead, he used his influence over Rolls-Royce, the aero-engine manufacturer which has a joint venture with BMW and which owns the Rolls brand name, to acquire the rights to the Rolls-Royce name from 2003.

As a result, Volkswagen won the Rolls-Royce factory in Crewe, which makes the Bentley but Mr Pischetsrieder, who had calmly negotiated most of the deal while on a skiing trip, came away with arguably the more valuable prize.

Ferdinand Piëch, the combative chairman of Volkswagen, has spent the second half of this year soothing his wounded pride by making loud public offers to take over BMW should the Quandts ever feel like selling.

'Today we are paying the price for having planned too much for the long term'

Back in 1993, Mr Pischetsrieder was an unlikely candidate to succeed Mr von Kuenheim. The grand old man of German carmaking had initially favoured the dapper Mr Reitzle, a college chum of Mr Pischetsrieder. But in a turn of events that is now part of car industry lore, Mr Reitzle was taken out of the running when he unwisely flirted with Porsche for the top job at the rival luxury car group.

So Mr von Kuenheim, who had been elevated to chair the company's powerful supervisory board, turned to the more dependable Mr Pischetsrieder. The young engineer had done a good job as head of production, overseeing, for example, the construction of BMW's first US plant in South Carolina. It is also part of industry lore that before Mr Pischetsrieder got the chairman's job, Mr von Kuenheim made it a condition that he shave off his beard. He refused, but got the job anyway.

After the Rover acquisition, the new chairman was at first praised for his sensitive handling of BMW's new British subsidiary. Mr Pischetsrieder knew that a heavy-handed overhaul of one of the world's oldest and proudest carmakers might arouse anti-German feelings within Rover's workforce and alienate the British public. So he kept the management of Rover at arm's length, content for it to remain a separate company. Rover's managers were left more or less to their own devices. It was anyway thought to be important that Rover kept its distinct British identity, which was seen as a unique selling point.

For a while, the success of the BMW brand, which accounts for two-thirds of total group sales, more than offset the continued losses at Rover.

But it soon became clear this approach was flawed. As he now concedes, Mr Pischetsrieder under-estimated the weakness of technical standards at Rover, which had once been a state-owned company; Rover had been starved of investment and still bore the scars from the years of trade union dominance.

BMW invested £2bn in Rover, but productivity continued to lag well behind BMW's German factories. Land Rover and Range Rover sold well, but Rover's smaller models struggled. The group's shortcomings were exacerbated by the continued appreciation of sterling against European and other currencies. It soon became clear that Rover could not compete when sterling was so strong. Export earnings were squeezed, while foreign competitors began to undercut Rover even in its home market. Rover's sales slumped.

Far from reducing Rover's losses as he had promised BMW's shareholders, Mr Pischetsrieder has had to admit that losses are likely to range between DM500m (£178m) and DM1.1bn for the whole of 1998. "Today we are paying the price for having planned too much for the long term," Mr Pischetsrieder says, in a partial admission that his arm's-length attempts to transform Rover have not produced the expected results.

By October, the BMW chairman's options had run out. He warned there would be no more investment if Rover's workforce did not improve productivity, and quickly.

Faced with the prospect of big job cuts and the possible closure of Birmingham's Longbridge plant, the UK's oldest car factory, Rover's workers agreed to adopt more flexible working practices, which included giving up overtime bonuses and accepting Saturday working as standard.

This was the only way, said Mr Pischetsrieder, for Rover to close the yawning 30 per cent productivity gap with BMW's plants in Germany.

In addition, there is to be more involvement of German management at Rover at all levels.

"We were too careful in trying to protect the company culture … But we will now take our Rover colleagues more closely in hand," Mr Pischetsrieder declared. Walter Hasselkus, Rover chairman, resigned, shouldering some of the blame for the company's failings. But undoubtedly, he also did so to give Mr Pischetsrieder more freedom of action.

In spite of all the remedies, Rover continues to be a millstone around Mr Pischetsrieder's neck. The struggling UK carmaker is the reason why Munich's rumour mill has gone into overdrive, with regular reports that the unhappy Quandts are negotiating the sale of BMW to Fiat, Ford or even VW, and – perhaps more worryingly for Mr Pischetsrieder – that Mr Reitzle may be preparing another bid for the BMW crown.

In 1994, it is said, Mr Reitzle favoured a more radical integration of Rover into the BMW structure. He was overruled but Mr von Kuenheim and the Quandts may now be wishing that Mr Reitzle, and not Mr Pischetsrieder, had been in the driving seat all along.

Until Mr Pischetsrieder brings his unruly British charge fully under control, those doubts are likely to remain.

Essential Guide to Bernd Pischetsrieder

Born: Munich, Germany, February 1948. Studied mechanical engineering in his *home town.*

Career: joined BMW in 1973. 1982-1985 in South Africa where he worked under Walter Hasselkus, the man who was later to take the blame for Rover.

Appointed BMW board member in 1990, in charge of production. Surprised everyone, including himself, when he came from behind in 1993 to succeed Eberhard von Kuenheim as chairman. BMW's "crown prince" Wolfgang Reitzle, far flashier, far louder, far more powerful, had been seen as a cert for the top job.

1994, buys Rover. 1998, outwits Ferdinand Piëch of VW to win control of Rolls-Royce brand name.

Appearance: tall, silent type. Trademark closely cropped beard, which he refused to shave off even at the risk of not being chosen for the chairmanship at BMW. Smooth suits, brogues, would look at home in an English country house. Anglophile: his great uncle, Sir Alec Issigonis, designed the Mini (built by Rover). If Ferdinand Piëch, VW's prickly boss, is the Rottweiler of the German car industry and Jürgen Schrempp, the formidable head of DaimlerChrysler, is its bruiser, then Mr Pischetsrieder is its affable country gent.

Prized possession: Rolls-Royce Phantom II.

High-points: buying Rover, pipping Ferdinand Piëch to the post in race for Rolls-Royce brand name.

Low points: buying Rover, then watching the pound head for DM3.

Least likely to say: "Oh, go on then, let Mr Reitzle be chairman if he wants to".

Least likely to do: give Rover's workforce a bonus for working harder this Christmas.

Most likely to say: "It was the pound that did it".

Attached to: snowboarding, cigars, his beard and fast cars.

In 1995, he was lucky to escape with just a few bruises when he wrote off a DM1.5m (£550,000) McLaren F1 sports car on a deserted stretch of road near Munich. As punishment, he paid a *DM18,000 fine to charity.*

VIEWPOINT DAVID OWEN

Language bonus for the British

A wave of cross-border mergers is breaking over corporate Europe. From defence to pharmaceuticals, big companies are seeking to pool resources to stay ahead of the competition.

As this process works its way through, British companies and employees may give thanks as never before for the happy accident that their native tongue has become the nearest thing to a universal business language. Correspondingly, the French and Germans may come to regret they have not acquired a more thorough grasp of each other's languages.

However proficient one may become in other languages, most people operate most effectively in their mother tongue.

English already plays such an important role in binational Franco-German organisations that it seems reasonable to surmise its importance will be even greater in the trinational, or multinational organisations that may soon emerge in defence, share dealing and so on. This will not push employees from primarily English-speaking countries, automatically to the top of such organisations irrespective of ability. But it should give them every opportunity to exploit the comparative advantage their absolute fluency in English bestows upon them.

This could be as true in initial merger negotiations as in their regular meetings with colleagues once the deal is done.

To give an idea of the level of English usage already in Franco-German organisations:

- All working documents and official meetings concerning the Franco-German European Pressurised Water Reactor, use English. The EPR, developed by France's Framatome and Germany's Siemens, will replace France's network of more than 50 nuclear power stations.
- Weekly meetings of the executive board of Eurocopter, the Franco-German helicopter group, are in English. Senior executives say this is a good thing because the "language of aeronautics" is English.
- French and German officials say Lionel Jospin, the French prime minister, and Gerhard Schröder, the German chancellor, have used English to converse with one another.

It is not for lack of official effort that more French people do not speak good German and vice versa. The ground-breaking 1963 Franco-German co-operation treaty, signed by de Gaulle and Adenauer, spoke of the need to encourage the teaching of the partner's language and led directly to the establishment of a Franco-German Office for Youth. This has an annual budget of FFr130m (£13.8m) split equally between France and Germany.

Yet English is by far the most frequently spoken foreign language in both France and Germany. Precise figures are difficult to come by but one French reference book puts the number of English speakers in the former West Germany at 58 per cent (85 per cent in the 14-34 age group), compared with 22 per cent said to speak French. Some 73.5 per cent of state-educated students in France learn English, compared with 18.2 per cent learning German.

A Paris-based official at Berlitz, the language school, says the organisation has about 200 English teachers in the country, but only 20 German teachers.

The biggest losers are probably going to be the French. This is partly because many French people are less comfortable in English than the sometimes extraordinarily adept Germans, and partly because the French are arguably the most adroit dialecticians in their own tongue.

One hallmark of the Grande Ecole-educated civil servants and executives that make up much of the French elite is the remarkable ease with which they discourse and argue in their own language. However well they speak English, a part of this linguistic power is lost.

Native Anglophones should not take their good fortune as a licence to stay monolingual. An ability at least to comprehend the languages of the other big EU countries gives them some hope of understanding the private consultations of those they are negotiating with. Those they are dealing with will already understand theirs.

The author is an FT Paris correspondent.
Lucy Kellaway is on holiday

TIM JACKSON
ON THE WEB

Card wars result in some bitter messages

Blue Mountain Arts, a Colorado company, has clashed with mighty Microsoft over greetings cards that wrongly landed up as "spam". The lawyers are standing by to do battle

"What does the Microsoft monopoly mean? It means you can't even send a Christmas card to your mother without Bill Gates's permission."

This may sound like a joke. But the words came, apparently seriously, from one of America's leading software antitrust lawyers. He was referring to the forthcoming court case of *Blue Mountain Arts v Microsoft.*

Blue Mountain Arts is the trading name of a publishing company in Boulder, Colorado that started an online greeting card service in 1996. In contrast to Sparks.com, covered in the last issue of this column, which takes orders over the internet for physical paper cards, Blue Mountain's "cards" are more of an internet gimmick.

To "send" one, you go to the web site *www.bluemountain.com*, choose a design, and then enter the e-mail address of the recipient. Blue Mountain Arts will then send your friend (or mother) an e-mail apparently from you, letting them know that a card is waiting at its web site. The recipient then clicks on a link in the e-mail, which automatically powers up the web browser and shows the card – complete with sound and graphics.

The service is free, and hardly seems like the stuff of which internet billions are made. But Blue Mountain shows banner ads on its web site to both senders and recipients; and also makes sales commissions from e-commerce merchants by providing links to their sites from its own. According to Media Metrix (*www.mediametrix.com*), 9.1m people visited the site in November – 16 per cent of all internet users – making Blue Mountain the 13th busiest site on the internet. The company probably shows around 1bn pages a month, and probably generates between $6m and $18m a year in ad and transaction revenues.

I believe the company is in the middle of a "bake-off", choosing an investment bank to take its greetings-card service public on Nasdaq.

Enter Bill Gates wielding a big stick. According to a complaint filed in a California state court by Blue Mountain, Microsoft launched its own competing free greetings-card service in November. Shortly afterwards, Blue Mountain began to get strange complaints from its users – saying Blue Mountain cards they had sent to friends were being automatically relegated to a "junk mail" folder in the latest version of Microsoft's Outlook Express mail program.

The mail program, bundled into the beta 2 version of Microsoft's Internet Explorer 5.0 browser, has a new feature designed to protect users from "spam" (unwanted e-mail). The package can send mail it believes to be spam to a special "Junk Mail" folder where the user can view it or have it automatically deleted every few days.

Blue Mountain's cards were therefore wrongly identified as spam – and the company contacted Microsoft immediately to get the problem fixed. What happened next is disputed. According to Blue Mountain, Microsoft initially said the cause was a "bug" in the new version of Explorer, but then dragged its feet when asked to fix it. For its part, Microsoft claims it sent a technical fix to Blue Mountain, but received no response to its messages other than a summons to court.

After some legal manoeuvring in early December, Blue Mountain persuaded a California judge to grant a temporary restraining order against Microsoft last Monday. This required the software company to give Blue Mountain, under terms of confidentiality, the technical information needed to ensure its cards escape the spam filter, and to warn users of the beta software that it could unintentionally relegate real messages to the junk folder. A full-scale case is due to be heard in January.

This may seem like a small spat. If only 600,000 copies of the offending software have been downloaded, then well under 1 per cent of Blue Mountain's customers will have been affected. But Microsoft has a long history of tweaking its products in a way that has caused trouble to competitors.

Blue Mountain's management realises two things: first, it will not be long before Explorer 5.0, complete with spam filter, becomes the world's most popular browser; and second, it makes more sense to fight the battle early than to suffer a Netscape-like demise by acquisition.

The key issue will be whether Microsoft's spam filtering was deliberately arranged to damage Blue Mountain. Microsoft's strongest defence against this are declarations from a Microsoft technical person and an independent laboratory expert that the spam filter relegated Microsoft's own greetings cards to the Junk Mail folder. But tests supporting these claims were carried out after the suit was filed. Blue Mountain claims to have evidence that before the suit was filed, Microsoft's own cards were getting through.

The moral? If the claim is proven that Microsoft set the filter to entrap Blue Mountain cards and then changed it to make it also trap its own competing product, Mr Gates will be shown up as every bit the evil genius portrayed by his enemies.

But a little cynicism should be applied on the other side. The lawyer Blue Mountain hired to fight its case – Gary Reback of the Palo Alto firm Wilson, Sonsini – is the best known Microsoft-basher in the industry and evidence of a wish for maximum publicity for the case. Before an initial public offering, winning such a case could add tens of millions of dollars to Blue Mountain's valuation.

INSIDE TRACK

BUSINESS TRAVEL OMAN

Outward-looking state transformed

Nigel Page outlines a series of projects which have benefited the country and given it a new-look business environment

In the 1940s and 1950s, the explorer Sir Wilfred Thesiger, not one to be easily dissuaded, noted that Oman was probably the toughest country to enter in the Gulf. Until the late 1960s, Muscat's gates were locked at night, pedestrians carried lanterns, and bicycles were banned. In the Middle East's second-largest country, there were only 10km of paved road.

By any reckoning, Oman's development in the past 30 years, from an isolated tribal society to a centre for foreign investment and economic diversification, stands out as one of the Middle East's more remarkable success stories. Oman's ruler, the paternalistic Sultan Qaboos Bin Said, took power from his father in 1970 and set about transforming his country into a politically stable focus for investment and private sector development.

The Vision 20/20 strategy, launched in 1995, set out the five-year plan for moving Oman away from oil and gas dependency (which still accounts for 80 per cent of gross domestic product) to infrastructure projects, high-tech industries and a tightly regulated, transparent financial sector. Increased tourism and foreign investment in industry are also priorities.

The $200m (£125m) BOT (build-operate-transfer) thermal power facility at Al Manah stood out in 1994 as one of the first private-sector deals in the region and a series of ambitious projects are now under development.

Perhaps most significant is the Salalah Port Project, which involves turning Mina Raysut into a world-class seaport (with significant private sector involvement). The aim is to set up a transhipment centre which will enable containers travelling east to avoid the Gulf.

Mina Raysut is especially significant for what it says about the Omanis' perception of their position in the Middle East.

The country traditionally ruled a seaborne empire which encompassed parts of east Africa and the Indian sub-continent, and it can still raise hackles to pigeonhole Oman as a Gulf state (despite its membership of the Gulf Co-operation Council). It prefers to look outwards – underlined last year by its role in forming the 14-country Indian Ocean Rim Association for Regional Co-operation.

This attitude is very apparent in Omani business dealings and daily life. Regular travellers to other parts of the Middle East will be struck by the country's comparatively relaxed atmosphere.

A spokesman from the Sultanate's Ministry of Information points out: "One must remember that Omanis are not like other Gulf Arabs – they have a history of maritime commerce and of dealing with foreigners. Omanis are an extremely courteous people and unfailingly polite, but they are nevertheless keen to get down to business talk straight away."

Oman is a Moslem country, and one characterised by tolerance. It developed its own branch of Islam, named Ibadhism after its seventh century founder Abdullah ibn Ibadh. Not all Omanis are Ibadhi Moslems; many are Sunni and there is a small Shia minority. Women can, and do, hold positions of authority in business and in government (although visitors should remember that many Omani women will not shake hands).

Muscat is an easy business destination. Traffic is light, roads are good and the infrastructure advanced. It will be the first port of call for visitors to the country – although access to Salalah, the second city in the southern region of Dhofar is also straightforward by road or air. Investment regulation favours foreign business.

Oman's 500,000-strong expatriate community has played a vital part in the country's metamorphosis, and is a significant proportion of the total 2m population. But an important aspect of the new-look business environment is the policy of "Omanisation", which is the government's reaction to demands for jobs from a newly skilled and fast-expanding local workforce. This obliges businesses to employ a minimum number of Omani nationals (quotas vary by sector) and is rigorously enforced: in six years' time, for instance, foreign lawyers will lose rights of audience in Omani courts, and although foreign law firms in Muscat will be able to remain in partnership with local firms, they will have to train nationals for jobs now filled by expatriates.

Changes such as this will prove a costly headache for foreign businesses – although most resident expats accept that, long-term, Omanisation is in the best interests of a country seeking to promote private-sector activity at the expense of a pared down state sector.

Muscat is well-served with business hotels and the country is actively seeking to promote itself as a convenient stop-off hub on the way to Asia (targeting business with tourism) – a role which until now Dubai has made its own.

And for those business travellers lucky enough to have a few days spare, there is a treat in store. Oman is large enough (at 120,000 sq miles) to offer a fascinating mix of extremes, embracing the striking "moonscape" of the Hajar range of mountains (the backdrop to Muscat), the Empty Quarter and the mountainous northern enclave of Musandam, separated from Oman by the UAE. The climate is equally varied. Coastal areas are hot and humid in summer and the interior is hot and dry, except for the higher mountains which have a moderate year-round climate. The best time to visit is probably the winter, when temperatures can fall to Mediterranean levels.

Symbol of religion: a mosque in Muscat Panos

Well-connected destination

Flights: Muscat is well-connected, both internationally and with the other Gulf states.

Gulf Air runs several daily services into Muscat from Abu Dhabi, Dubai, Bahrain, Jeddah and Riyadh, as well as daily services from London and Mumbai.

There are also frequent flights into Salalah, the second city, by Oman Air. Seeb International Airport which serves Muscat is about 40 minutes out of town.

Accommodation: There are several five-star hotels in Muscat. The smartest is the Inter-Continental's Al Bustan Palace Hotel, about 10 minutes taxi-ride away on the coast. Prices are steep compared with Dubai and Abu Dhabi. The Al Bustan Palace is a good place to mix business with pleasure – rooms start at OR113.000 (£176) for a single, with a seaview double room at OR139,000 (£217) – all prices subject to 17 per cent tax.

Plenty more hotels are being built, and a new Hyatt and Sheraton open for business in Muscat. The interior is similarly well-served, with a good spread of motel-style options.

Visas: Foreign nationals can obtain visas from Omani embassies or be sponsored by an Omani national or a business registered in Oman.

A visitor's visa permits a maximum three-month stay. Express visas are also available from Oman (valid for two weeks' stay).

ANDREW JACK
FILE FROM MOSCOW

Russian ballet of a wallet-on-wheels

Communism may have been defeated but the de facto diktat that Moscow road users cannot turn left remains in force

For the city that was once the holiest shrine of communism, there is a peculiar and long-standing characteristic of Moscow that hinders those intrepid enough to take to the streets by car: it is almost impossible to turn left.

There are many countries worldwide which have multiple-lane motorways with exclusions on making a quick U-turn across the central reservation, of course. There are rather fewer that extend the principle right into the middle of their capital, all the way to the walls of the Kremlin.

Street names and building numbers are often impressively visible in Moscow. The problem is that when you find the address you are seeking, it is nearly always on the far – left-hand – side. And given that even many minor roads in the city have uninterrupted double white lines forbidding you to cross, that leaves you with two options.

The first is to drive on, in the desperate search for a turning which will allow you to cross over, under or occasionally across your original road and then to double back. Unfortunately, you may be forced to go over bridges, leave the city behind you and be halfway to St Petersburg before that is possible.

One Moscow newspaper even used to publish columns discussing the tortuous routes to circumnavigate difficult junctions. I have a copy of the plan of my favourite intersection on my wall complete with maze of one-way arrows. It takes 10 minutes to drive to it from the office, then an hour to try to find how to turn left, before finally giving up. The only compensation is the delight once you have finally mastered these tortuous manoeuvres and the pleasure of occasionally discovering an unexpected left turn where none seemed possible.

The second approach is to make the left turn regardless of its illegality. That triggers the risk of a direct collision with one of the most striking inequalities of driving in Russia – and perhaps the reason why no one, from the once-reformist President Boris Yeltsin to the communist-dominated parliament, has ever got rid of the no-left turn rule. There is a central lane along several of the larger roads reserved exclusively for politicians and other VIPs in black cars to drive up and down at high speed with their blue lights flashing and little regard for the risk to cars on either side.

Other practices encouraged by the no-left turn rule include reversing at high speed against the oncoming traffic to reach the previous right turn you missed, which may allow you to double back. Such manoeuvres will bring you into almost certain contact with that most charming of Moscow characters, the GAI officer. Clad in blue, out in all weathers, the GAI-shnik's principal task is to point a small white baton at you and pull you over for a reprimand.

Actions that seem perfectly legitimate incur the GAI's close interest, such as turning right from anything other than the right-most lane. Or turning right at all, unless there is a specific arrow to show you can do so. All good illustrations of the Russian principle that everything is forbidden (or at least costs something) unless it is expressly permitted.

The result of such transgressions is the relatively modest official fine of Rb41. Unfortunately, in an effort to stamp out corruption, you cannot simply hand over the cash. You surrender your driver's licence, wait 20 minutes while he fills out an enormous form and then trek off to a bank to get a stamped receipt.

The result of this particular anti-corruption drive has, of course, been additional corruption. Underpaid – and probably in recent months simply unpaid – the GAI is all the more tempted to distract himself from the cold and gather some cash-in-hand by pulling you over. Particularly if, as a foreigner, you have to drive with special yellow number plates, tantamount to making you a wallet-on-wheels. He is delighted to earn some money, and you are equally willing to dispense with the form-filling wait. Or so, at least, I am told.

All this hardly seems like an enlightened policy by the authorities for encouraging foreigners, easing Moscow's circulation or inculcating a sense of honesty among public servants.

But, like so many other things in Russia, it is a handy short-term way of providing money to pay its long-suffering employees.

OPENINGS

VIENNA
The New Year's Day concert at the Musikverein will be conducted by Lorin Maazel – the 10th occasion he has presided over this prestigious event. The 1999 concert marks two historic anniversaries: the 150th of the death of Johann Strauss the elder (right) and the 100th of the death of Johann Strauss the younger.

EDINBURGH
Starting on New Year's Day, the National Gallery of Scotland offers its annual display of magnificent Turner watercolours, bequeathed in 1900 by Victorian art collector Henry Vaughan. The 38 paintings from the Vaughan bequest include examples from every period in Turner's development. They have been shown every January for more than 90 years.

NEW YORK
Kurt Masur conducts his first-ever New Year's Eve concert with the New York Philharmonic on Thursday at Avery Fisher Hall. It takes the form of a Strauss extravaganza (Johann and Richard), with sopranos Deborah Voigt and Noemi Nadelman and mezzo-soprano Angelika Kirchschlager.

PARIS
The Opera Ballet presents Nureyev's wonderfully jolly *Don Quichotte* at the Palais Garnier throughout the week: try and catch Nicolas *Le Riche* (right) as the hero Basilio tonight, on Wednesday and Saturday – he's a marvel.

LONDON
Balletic festivities include the Royal Ballet playing Ashton's adorable *La Fille mal gardée* at The Royal Festival Hall, while both Birmingham Royal Ballet (at the Lyceum) and English National Ballet (at the Coliseum) are *Nutcracker*-ing away.

LAUSANNE
Nathalie Dessay, the French coloratura soprano (right) currently making a big career in opera and on CD, sings her first Amina in a new production of Bellini's *La sonnambula* at the Théâtre Municipal on New Year's Eve. There are six performances, the last of which is on January 12.

A dramatic magnet for the stars

London was the place to be for theatre during 1998, writes **Alastair Macaulay**

Starstruck: Kevin Spacey, Juliette Binoche and Nicole Kidman were drawn to London for 'The Iceman Cometh', 'Naked' and 'The Blue Room' respectively

London theatre really is often the envy of the world. Just recollect the number and variety of occasions on which major actors (foreign or local) find major vehicles here. Come to London, and see Juliette Binoche, Nicole Kidman, Ewan McGregor, Liam Neeson, Kevin Spacey, live onstage. Come to London, and see such leading British actors as Judi Dench, Penelope Wilton, and John Wood in plays by today's leading British playwrights. (Kidman and Neeson were in the premieres of British plays too; and Pinter was acting in Pinter.) Come to London, and see Eileen Atkins and Michael Gambon in the British premiere of Yasmina Rêza's *The Unexpected Man*; or Zoë Wanamaker and Diana Quick in the British premiere of David Mamet's *The Old Neighbourhood*.

One could say all these things during 1998 (mind you, one didn't rush to say it of McGregor or Neeson after one had seen their shows) and still one would not have mentioned the four best new plays of the year or the Stoppard/Shaffer double bill or the Racine season or *The Weir* or *Closer* or *Oklahoma!* ... *In truth*, 1998 was not what London theatre-goers would call a vintage year, and it gave several causes for serious alarm. All the same, it was a good year; in London, most theatre years are good.

Lest I sound complacently patriotic, let me say that the best male and female acting performances were given by visiting Americans: Kevin Spacey in *The Iceman Cometh* and Mary Louise Wilson in *Full Gallop*. It took considerable nerve to stage a play as long, bleak, and unfashionable as Eugene O'Neill's *Iceman* (it has been widely thought that all O'Neill's plays except *Long Day's Journey into Night* are intolerably dated) and it took considerable modesty on Spacey's part to perform in so intimate a space as the Almeida. The result – thanks also to a first-rate group of British actors, directed by Howard Davies – was a triumph. A triumph of ensemble, in which O'Neill's play itself became all-important; a triumph for live theatre, in which it was often a luxury just to let the eye roam across the Almeida stage, away from whoever was speaking at the time, and to take in the whole stage picture of men in various states of oblivion, despair, or euphoria; and, yes, a triumph for Spacey, giving the most luminous performance of all and becoming the strange heartbeat of the play. To watch him without the intervention of the camera is a privilege; one can really observe – indeed, breathe in – the way he lights up the nervous system of his character from within.

It is good that Spacey, a movie star, received loads of attention and acclaim for his work here. It is a scandal that Mary Louise Wilson, one of New York's most admired actresses, received too little attention or recognition at the Hampstead Theatre for *Full Gallop*, which she co-wrote and in which she had enjoyed huge success off-Broadway during 1996-97. Playing Diana Vreeland, the absurd and irrepressible ex-editor of Vogue, Wilson gave one of the London year's two great star performances (the other, a follow-on from last year, was Judi Dench's in *Amy's View*). Her performance was also one of the three or four peaks of comedy this year; but what made it superlative was its constant fluctuation of mood (it included lyricism, defiance, denial, rage, and grief), and its brilliant expression of the indomitable, ludicrous, life-enhancing energy that carries Vreeland over the worst blip in her career.

The most talked-of performance of all was Nicole Kidman's in the premiere of David Hare's *The Blue Room* at the Donmar Warehouse; and she proved herself a first-class live actress, handling a rapid assortment of different roles with charm, aplomb, and skill. She was paired – very successfully – with Iain Glen, one of the most appealing and talented of young British actors, and she, if anything, emerged the finer of the two, with none of the (amusing) touches of gratuitous actorly display that marked Glen's performance.

But what a waste of both Kidman and Glen! Hare's play, an updated adaptation of Schnitzler's *La Ronde*, was mere froth: a cynical sex comedy in which the running joke – the precise duration of sexual intercourse between each couple, as projected onto the back wall – was particularly callow. Whereas Spacey & Co. gave themselves to revealing a challenging play, Kidman & Glen were performing a mere exercise in chic.

Because of such stars as Spacey and Kidman, the buzz around London theatre was often very high during 1998. The Almeida Theatre and Donmar Warehouse contributed a great deal to this. At the Almeida, Juliette Binoche and British colleagues did splendidly by Pirandello's *Naked*, directed by Jonathan Kent, (transferring, as did *The Iceman Cometh* to the Old Vic). At the Donmar, a Pinter triple bill was performed by an excellent ensemble – including Pinter himself (in *The Collection*), Penelope Wilton (in *A Kind of Alaska*), Douglas Hodge and Lia Williams (these two in both *The Collection* and *The Lover*).

Throughout 1998, the after-effects of Richard Eyre's final year at the National Theatre continued to enrich London theatrical fare. His own '97 stagings of Hare's *Amy's View* and Tom Stoppard's *The Invention of Love* transferred this year to the West End; as did Patrick Marber's *Closer*. In each case, the best of last year's first impressions were confirmed.

One of the few musicals that also ranks as important theatre: 'Oklahoma!' at the National

The most important thing about Trevor Nunn's regime at the National is that he has kept it at the centre of the nation's theatrical life. There are some causes for concern, admittedly. Scorn has been rightly heaped on several aspects of Sean Mathias's production of *Antony and Cleopatra* (in particular, it showed no conception of how to make this play project vocally into the Olivier Theatre), and I have no notion why the National mounts a new version of *The Prime of Miss Jean Brodie* as a vehicle for the unstoppable and un-Scottish Fiona Shaw. I also found less to admire than did most of my colleagues in the company's productions of Bulgakov's *Flight*, Tennessee Williams's *Not About Nightingales*, Kevin Elyot's *The Day I Stood Still*, and Sebastian Barry's *Our Lady of Sligo*; but these were nonetheless important productions, worth arguing about, even if you objected to them.

Two of 1998's four best plays were National productions: namely, Michael Frayn's *Copenhagen* and Terry Johnson's *Cleo, Camping, Emmanuelle, and Dick*. They are worlds apart, but both are fantasies about real 20th-century people: *Copenhagen* is an ingenious and intricate contemplation of human motivation (why did the German nuclear physicist Werner Heinsenberg visit Niels Bohr in Copenhagen in 1941?), and *Cleo, Camping* is a tender, humane re-imagining of life off-camera between those national comic institutions of the *Carry On* films, Sidney James, Barbara Windsor, and Kenneth Williams.

All years for three decades or more have been dark as far as musicals are concerned, but Nunn's Olivier Theatre production of *Oklahoma!* (which will re-open in January 1999 at the Lyceum) was the one transporting musical I saw in 1998, showing that this really is one of the few musicals that also ranks as an important work of 20th-century theatre. (*Rent*, *Whistle Down the Wind*, *Doctor Doolittle* – the other most hyped new musical productions of the year – were predictably trivial affairs. *Show Boat* – perhaps the greatest musical of the whole century – was seriously diminished by the Hal Prince production that arrived here from Broadway. The current *West Side Story* staging looks like a period piece, but is unusually well sung.

The other two best new plays of the year were both new on the Edinburgh fringe (manna after the six different but uniformly ghastly examples of Director's Theatre presented by the official festival): Liz Lochhead's *Perfect Days* (at the Traverse) and the (Royal) National Theatre of Brent's *Love Upon the Throne*. *Perfect Days* is lifestyle comedy, a species now rare onstage, both hilarious and painful. And *Love Upon the Throne*, also touched with poignancy, is the comedy the nation truly needs about Charles and Diana, although its real subjects – as always with the National Theatre of Brent – are incompetence and pretension. One of its many original features is its elaborate sequence of audience participation during its retelling of the Royal Wedding. Perhaps the best way for me to end this account of London theatre in 1998 is to reveal that, on press night, I myself was required to stand and deliver a speech as the people of Belgium. Everyone has their Waterloo, and this was mine.

INTERNATIONAL Arts Guide

AMSTERDAM

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
The Queen of Spades: by Tchaikovsky. Conducted by Semyon Bychkov in a new staging by Lev Dodin; Dec 29

CHICAGO

EXHIBITION
Art Institute Of Chicago
Tel: 1-312-443 3600
www.artic.edu
Julia Margaret Cameron's Women: 60 vintage prints of Victorian subjects such as Julia Jackson, mother of Virginia Woolf, and Alice Liddell; to Jan 3

COLOGNE

OPERA
Oper der Stadt
Tel: 49-221-221 8240
Die Vögel: first modern staging for Walter Braunfels's opera. Premiered in 1920, it was banned by the Nazis and largely forgotten until a recent recording. This production is conducted by Bruno Weill and staged by David Mouchtar-Samorai; Dec 28; Jan 2

EDINBURGH

EXHIBITION
National Gallery of Scotland
Tel: 44-131-624 6200
Turner Watercolours: shown every January for 90 years, this magnificent selection of 38 watercolours was bequeathed by Victorian collection Henry Vaughan in 1900; from Jan 1 to Jan 31

FRANKFURT

EXHIBITION
Schirn Kunsthalle
Tel: 49-69-299 8820
Alberto Giacometti: retrospective of work by the Swiss sculptor and painter. Also featuring prints and drawings, the exhibition charts Giacometti's artistic output from his early years in 1920s Paris to his death in 1966; to Jan 3

OPERA
Oper Frankfurt
Tel: 49-69-21237 999
www.frankfurt-business.de/oper
Rigoletto: by Verdi. Conducted by Olaf Henzold and staged by Kurt Horres; Dec 28, 30

LONDON

EXHIBITION
Royal Academy of Arts
Tel: 44-171-300 8000
Picasso: Sculptor and Painter in Clay. This first major exhibition of Picasso's ceramics will include around 100 pieces, many of which have never before been exhibited; to Jan 1

MILAN

OPERA
La Scala
Tel: 39-02-88791
Götterdämmerung: by Wagner. New staging directed and designed by Yannis Kokkos, and conducted by Riccardo Muti. Jane Eaglen is Brünnhilde; Dec 29

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
Munich Philharmonic Orchestra: conducted by Milan Horvat in Beethoven's Symphony No. 9; Dec 30, 31

DANCE
Philharmonie Gasteig
Tel: 49-89-5481 8181
● St. Petersburg State Ballet: in Nikita A Dolguschin's staging of The Nutcracker; Carl-Orff Saal; Dec 28, 29
● St. Petersburg State Ballet: in a new staging of Dornröschen by Nikita A Dolguschin; Carl-Orff-Saal; Dec 30

NEW YORK

CONCERT
Avery Fisher Hall, Lincoln Center
Tel: 1-212-875 5030
www.lincolncenter.org
New York Philharmonic: conducted by Kurt Masur in a New Year's Eve Gala, with a programme including works by the three Strausses. With sopranos Deborah Voigt and Noemi Nadelman, and mezzo-soprano Angelika Kirchschlager; Dec 31

EXHIBITIONS
Metropolitan Museum of Art
Tel: 1-212-879 5500
www.metmuseum.org
● Degas Photographs: bringing together 35-40 photographs, most of which were made in the 1890s; to Jan 3
● From Van Eyck to Brueghel: Early Netherlandish Paintings. Almost 100 paintings from the collection, exhibited together for the first time; to Jan 3

Pierpont Morgan Library
Tel: 1-212-685 0008
Charles Dickens – A Christmas Carol: the manuscript of Dickens's novel is the centrepiece of this holiday exhibition; to Jan 3

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
Die Fledermaus: by J. Strauss. Revival conducted by Patrick Summers. Cast includes Carol Vaness, Jochen Kowalski and Bo Skovhus; Dec 28, 31; Jan 2, 6

PARIS

EXHIBITIONS
Grand Palais
Tel: 33-1-4413 1730
Gustave Moreau: more than 140 works by the Symbolist painter, held in high esteem by his literary contemporaries. Includes studies and drawings as well as oils, many of them depictions of historical and mythical subjects; to Jan 4

Musée d'Orsay
Tel: 33-1-4049 4814
www.Musee-Orsay.fr
Millet/Van Gogh: display of 85 works brought together to demonstrate the influence of Millet on the work of Van Gogh. These include paintings, drawings and pastels by both artists, many of them on loan from the Van Gogh Museum in Amsterdam; to Jan 3
● Stéphane Mallarmé (1842-1898): retrospective exploring the work of the French Symbolist poet, and his influential relationships with his literary and artistic contemporaries; to Jan 3

PHILADELPHIA

EXHIBITION
Philadelphia Museum of Art
Tel: 1-215-763 8100
www.philamuseum.org
Delacroix: The Late Work. Organised to celebrate the 200th anniversary of the artist's birth, this exhibition, first seen in Paris, includes 70 paintings and 40 works on paper; to Jan 3

PRAGUE

DANCE
National Theatre of Prague
Tel: 420-2-2108 0131
www.anet.cz/nd
The Nutcracker: by Tchaikovsky, in a staging by Russian choreographer Jurij Grigorovic, with sets and costumes by Simon Virsaladze; Dec 28; Jan 5

PROVIDENCE

EXHIBITION
The RISD Museum
Gifts of the Nile: Ancient Egyptian Faience. Brings together over 200 works, including statuettes of kings, gods and animals, and inlaid boxes ranging over 5000 years; to Jan 3

VIENNA

CONCERTS
Musikverein
Tel: 43-1-5058 6810
Vienna Philharmonic Orchestra: conducted by Lorin Maazel in a New Year's Day concert which marks two historic anniversaries: the 150th of the death of Johann Strauss the elder, and the 100th of the death of Johann Strauss the younger; Jan 1

OPERA
Staatsoper
Tel: 43-1-51444 2960
Ernani: by Verdi. Conducted by Seiji Ozawa in a new staging by Graham Vick; Dec 30; Jan 3

WASHINGTON

EXHIBITION
National Gallery of Art
Tel: 1-202-737 4215
www.nga.gov
Van Gogh's Van Goghs: 70 paintings loaned by the Van Gogh Museum in Amsterdam. Includes such icons as The Potato Eaters (1885), Self-Portrait as an Artist (1888) and The Harvest (1888); to Jan 3

ZURICH

EXHIBITION
Kunsthaus Zurich
Tel: 41-1-251 6765
Max Beckmann and Paris: more than 100 masterpieces of modern art from public and private collections around the world; to Jan 3

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:
06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

COMMENT & ANALYSIS

Low resistance to cultural invasion

Freedom is proving problematic for Hungarian national values forged in the adversity of the Soviet years, writes **John Lloyd**

"Do not say Hungary was Communist!" says Istvan Kavas. "We could travel, speak our mind in private. There were taboos – the leading role of the socialist party and the Soviet Union. But beyond that..."

Mr Kavas runs RTL, Hungary's newest commercial TV station. In the corridors, excited men and women noisily enjoy being young and in television, the most bewitching of experiences. A dubbed US comedy plays on telescreens. Communist, us?

Yes, when the chips were down. They had been down in 1956; and everything which followed, for more than three decades, was conducted in the memory of a Soviet invasion bloodily and futilely resisted.

Ten years after the collapse of Communism in eastern Europe, freedom has come. An illustration is the story Laszlo Karcagi, a reporter for Nepszabadsag, the Socialist Workers' party newspaper, told Paul Starobin, a US researcher.

"I was on holiday at Lake Balaton, and I woke one morning to a small earthquake. For hours I ran around getting the views of fire people, police. Then I called the editors and said – 'I have lots of things to tell you'. The staff in charge told me, 'It's not necessary. We have official reports from the state news agency. Calm down and enjoy your holiday.'"

Calm down and enjoy your holiday – the velvet equivalent of "shut up if you know what's good for you". There is no earthquake until a state agency says there is and no consequences until that agency tells us what they are allowed to be.

Now the Hungarian media cover earthquakes small and large. No one I met in Hungary denies freedom's advance; Sandor Orban, head of Budapest's centre for Independent Journalism, said: "Politicians cannot now control the media. Now, their attacks don't mean repression, they simply make the editors angry and cause more problems for the politicians."

But the point made over and over again, is that freedom has not come unalloyed.

Loss has come alongside what Hungary has gained – modernisation, after decades of enforced archaism. But like other former communist countries, the modernisation is not completed yet – by which is meant, it is not fully like a western European country.

Its newspapers – including Nepszabadsag – are largely foreign (mainly German) owned, but there are "too many" of them – 12 national dailies in a country of 10m – reflecting the explosion of publishing after 1988. "Journalists can be a bit corrupt financially," says Mr Orban, "and the papers depend too much on advertising, so fear to say anything nasty about the corporations who advertise. The market is small and circulations are too low to spend much money on investigative reporting."

Foreign ownership has helped to raise standards, injected capital and promoted diversity. But foreign ownership is foreign and there is at least residual unease. Nepszabadsag was transformed from the party daily to the most successful paper by far in Hungary – selling over 350,000 – but its journalists revolted against the main shareholder, the German Bertelsmann group, when it increased its stake to a majority. A Nepszabadsag manager was quoted as saying, "I am very willing to learn. But what I don't want is a new authority from the outside telling me what to do, which would be the same as Moscow in the old days."

This grisly grasping after the simile of the Soviet tanks is too tempting to be resisted. Sandor Lezsak, leader of the Hungarian *Democratic Forum* party, said in a speech earlier this month that Budapest was being "encircled by western culture and shopping malls as the city had once been ringed by Soviet tanks." Some Hungarians I met tuttutted about this, but the emotion is real enough and the causes of it clear enough.

10 years after

Take the dominant medium, TV. Mr Kavas of RTI (Pearson, owner of the Financial Times, has a noncontrolling share in the network) is proud of his station, with an ultra-slim 200 staff compared with the state TV network MTV's 2,500 (down from 4,000). He is also proud of the new soap opera *Between Friends*, which is the first daily soap produced in Hungary and is scheduled to compete with the main MTV news; it is proving slow to catch on but it is lowering the news' ratings.

But *Between Friends* is coscripted by two specially imported Australian writers. They write in English and it is then translated into Hungarian. It is, according to those who watch it, set "nowhere" – nominally in Budapest but with no identifying characteristics of the city, nor of current events, nor even of Hungary. It is meant only partly for Hungary; like other soaps, it has to be suitable for export.

Hungary also has a socialist-era soap, broadcast bi-weekly on MTV to a large audience, called *Neighbourhood*. It is clearly identifiably as being on a housing project in Budapest, has recognisable Hungarian characters and comments, if obliquely, on current events. Indeed, one character's comment just before the vote four years ago which brought in a socialist government that "I would like to live under a government that is peaceful" influenced voting, according to Peter Gyorgy, who teaches communications at Budapest University. It was taken, says Prof Gyorgy, as an endorsement of the Socialist party's promise to moderate the drive for privatisation and liberalisation.

Prof Gyorgy, one of the most original minds in the country and an adviser to the TV networks, shares the Hungarian nationalists' view that both the culture and the language are in danger of being swamped but differs from them in thinking little can be done.

"English is now the new Latin and everyone must learn some of it – but that is only part of it. It has never happened before in history that one country [America] has so dominated the world's trash culture. Our popular heroes here are Americans. We did not have a trash culture here since the war; neither the communists nor the intellectuals approved of it. So we have no trash culture heroes. You cannot get Hungarian young men going to save the world saluting the Hungarian flag, as the Americans did in the film *Armageddon*. People would just laugh. High culture will survive, but it's for the elite. Trash culture has to be created – but how?"

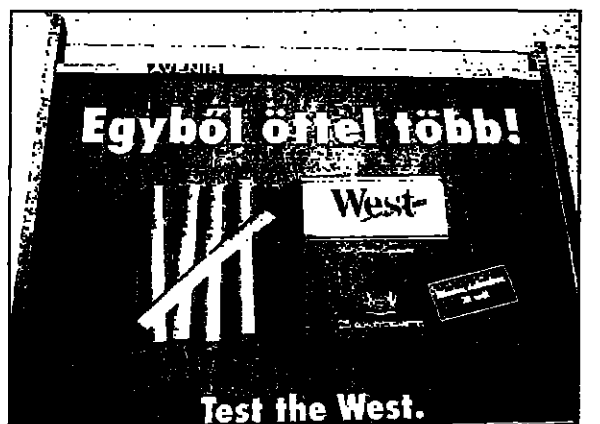
Where Soviet domination had stimulated resistance (in some) and a determination to hold on to the language and culture, capitalist "encirclement" breeds emulation and passivity. The new culture insinuates itself into every crevice of Hungarian, as it has of west European, life: the billboards are full of it, the radio jingles screech it, the TV ads project it. It is chic, modern, rich; above all it is either American and hip or (west) European and desirable. "The elite" wrote Gyorgy Konrad, Hungary's leading intellectual, in a recent essay, "have caught the train and are headed westwards. They are learning the common Euro-American value system the way a puppy learns to bark."

Much of this is accepted as good: Mr Konrad says that people will learn from the Euro-American values that "the less they depend on the state the freer they will be." But the Hungarian state was Hungarian; the new values are global. In a conversation between Ed Jones, Budapest-based regional creative director of Saatchi and Saatchi, and Tony Cox, creative director of BMP/DDB in London, the latter commended a campaign for Coca-Cola. "It has come up with the idea of finding local myths and cultural things to say and then adapting these to the worldwide brand....I imagine a great idea is pretty much universal".

The big advertising ideas on Hungarian billboards and Hungarian TV commercials are mostly for foreign companies and done by foreign advertising houses. This is not encirclement; no one will die of it, and above all Hungarians can develop into it, take a hand in controlling it.

But there is a loss; it is of a culture defined in adversity and not yet capable of defining itself in amity.

This is the first in a series on the changes in former Soviet Bloc countries in the 10 years since the fall of Communism



Free puff: advertising pushes US and west European values Panos

LETTERS TO THE EDITOR

Need to accept possibility of failure on the road to business success

From Mr Richard Branson.

Sir, This government's record on competition policy has been far from perfect. However, I very much welcome the initiative launched on competitiveness ("Blueprint for arresting economic decline", December 17).

Competition, enterprise and dynamism, the themes at the core of the white paper, "Our Competitive Future", are the principles on which I have operated since I started the Virgin Group. I welcome the government's recognition that it is businesses that are willing to take risks because they see an opportunity in the marketplace which are those the UK needs to encourage.

The Virgin Group has developed as a collection of businesses by entering markets in which consumers were frankly being offered a raw deal by complacent market leaders and which were in need of a good shake-up.

Critics often like to claim that many of the businesses we establish do not make quick profits. They misunderstand the nature of entrepreneurialism, risk-taking and the character of Virgin, which is to build up the capital value of the businesses we establish, rather than to go for short-term rewards at the expense of the long-term health of the company. Not every idea works; but if you want to succeed, you also have to be prepared to take the risk of failing. This is one of the big differences between UK and US business culture, one that the white paper has recognised.

I do not think that you can have a truly dynamic economy unless established market leaders are exposed to the possibility of losing market share and new entrants or smaller players have the opportunity to grow and overtake them.

At Virgin we look forward to playing our part in the new entrepreneurial society that Tony Blair, the prime minister, wishes to create. The UK has many strengths, perhaps the greatest of which is its people. A government that recognises this, and wishes to provide the framework in which people and businesses can grasp the opportunities that exist, can only be welcomed.

Richard Branson,
chairman,
Virgin Management,
120 Campden Hill Road,
London W8 7AR

A fine interpreter of Machiavelli

From Mr Mario Contini.

Sir, In his article "Between Iraq and a hard place" (December 19-20), Gerard Baker expresses his good opinions about the recent developments that have occurred in the US but neglects to comment (as most journalists have done) on the darkest side of the story, the *Wag the Dog* scenario.

I think that the exact temporal juxtaposition (same "starts" and same "ends") between "impeachment against Clinton" and "missile attack against Iraq" as well as the perfect synchronisation between "strikes against Sudan and Afghanistan" and "deposition of Miss Lewinsky to a grand jury" are hard to justify as a simple coincidence of events.

Besides, the official reasons given for both military operations are not a great help to dispel doubts.

Certainly the man of the White House is one of the best interpreters of Machiavelli's cynical principles.

In *The Prince*, the Italian political theorist describes how his hero, the Duke Valentine, uses deception, opportunism and lies to manipulate others and to remain in power, employing any means at any cost.

History tells us that the hero at a later time came to a disgraceful end.

Mario Contini,
16 Balmoral Road 02-02,
Singapore 259802

Comparison with slaves does no credit

From Mr Frank Kindred.

Sir, The "truly remarkable" thing about the British involvement in slavery was not the launch of an antislavery movement (Television: "Crossing the desert of poor programming", December 16) but the unprecedented manner in which the British turned the slave trade into a systematic and industrialised exploitation of the transportation and torture of human beings for the increased profit of merchants and wealthy families in Bristol and other cities.

Christopher Dunkley's dismissive comments and his crass comparison to the treatment of animals do him no credit.

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Reasons to be cheerful

Strong growth in public-sector spending and a more flexible monetary policy should keep the UK economy out of recession in 1999, say **Martin Weale** and **Garry Young**

1999 NINETEEN NINETY NINE

Writing in this newspaper a year ago we argued that the UK economy was going to slow and that further interest rate rises were unnecessary. And so it has proved.

In the last few months the Bank of England's monetary policy committee has rushed to undo the effects of its mistakes. Just as raising interest rates too far and too fast in a boom can aggravate a necessary slowdown, so cutting them too aggressively in the face of a slowdown can aggravate the next boom.

For 1999 very few forecasters are expecting an outright recession, but most are aware that this is a real risk. Our view, which is close to the mainstream, is that economic growth will average about 1 per cent in the year as a whole. Activity is expected to be weakest at the beginning of the year but should pick up in the second half, driven partly by strong growth in public sector spending.

This relatively optimistic view should be contrasted with the gloomy picture painted by recent business surveys covering manufacturers and retailers. The Confederation of British Industry survey has a long track record and deserves to be taken seriously. The past relationship between business optimism as measured by the CBI and future economic growth suggests that there will be a recession in 1999, with output falling by about 1 per cent.

There are four reasons for believing that 1999 will not be as bad as the CBI survey suggests:

● The surveys cover the private sector, with the CBI focusing on manufacturing. Public sector output is likely to be the main source of growth next year.

● There is much more room for policy to be relaxed than in previous situations when the economy was slowing. In both of the last two recessions, in the early 1980s and early 1990s, monetary policy was kept very tight despite a sharply slowing economy. There is already evidence of the MPC's willingness to cut interest rates as the economy slows. This is likely to prove a major support for the economy in 1999. Combining this with the recent appreciation of the euro-11 currencies against sterling, our concern is that the MPC will cut rates too quickly rather than too slowly.

● The strong balance sheet positions of both companies and households are such that they are more easily able to continue spending despite a shortfall in income. In the early 1990s in particular, high levels of indebtedness meant that many had no option but to cut spending when their income was reduced, thus intensifying falling activity.

● There is of course the inherent problem that surveys simply report people's expectations. In 1992, after Britain left the European exchange rate mechanism, surveys fell to their gloomiest levels and the economy started to recover. Now the most recent data suggest similarly that as the MPC unwinds its mistakes, the gloom has been overdone. And the position is further complicated should the MPC give too much weight to surveys. Anyone running a business would vote for lower interest rates given the choice.

A number of dangers remain. There is the risk that the current pessimism will be self-fulfilling. Households worried about job security and companies worried about future demand are likely to hold back on spending, on capital goods in particular. This is especially true since recent investment expenditure has been strong.

Household spending on durable goods has grown by about 18 per cent over the past two years. Much of this has coincided with building society windfalls, and will not be repeated.

Another risk is the state of the world economy. Problems in Asia, Russia and Latin America appear very distant, partly because the UK does little direct trade with these economies. But the recessionary conditions in these places could spread to the UK if they affect the economies that the UK does trade with, the US in particular. Indeed, one of the major dangers for the UK economy in 1999 is that the US economy will slow down sharply. Sharp falls in international equity prices or large bank losses could also pose a threat to the UK.

The risks facing the UK economy are such that we put the probability of a recession in 1999 at about one-in-three. Certain sectors and regions are clearly more vulnerable than others. Manufacturing is expected to contract, while business services should grow at a rate similar to the whole economy. The private sector generally is expected to be weak, with output scarcely rising. The public sector will do much better with growth at just under 4 per cent.

Inflation is likely to stay low. There may be some pick-up in the early part of the year as indirect tax increases feed through, but there is no evidence of any other cost pressure. Prospects for earnings are unclear, but pay settlements appear to be about 3.5 per cent a year, which poses little threat to the inflation target. With falling commodity prices and a slowing economy, inflation in 1999 is more likely than not to undershoot the government's 2.5 per cent inflation target.

This would be embarrassing for the MPC as it would confirm that policy in much of 1998 had been too tight. It would also raise the risk that interest rates might be cut too rapidly, perpetuating the cycle; we do not see a case for rates to fall below 5 per cent, and any reduction has to be done with an eye on the exchange rate.

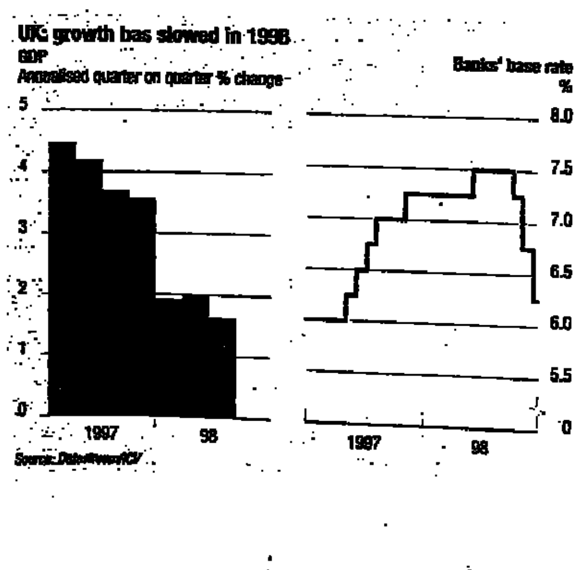
Unemployment is expected to rise by around 200,000 in 1999. This represents only a mild increase and would increase the level of unemployment to around 2m or around 7 per cent by the end of the year.

The expansion in government spending of about 3 per cent in real terms is one of the factors supporting economic growth in 1999. But with the private sector component of the economy slowing, it is inevitable that the government deficit will reappear. We take the view that tax revenues are temporarily high – the random opposite of the shortfall in value added tax revenue seen three years ago.

We do not attach any great significance to this and certainly do not see any need for concern about a hole in the government's finances; it is logical for fiscal policy to join with monetary policy in stabilising the economy. Indeed, if the economy turns out to be weaker than we expect, then a more powerful fiscal stimulus would be desirable.

Looking further ahead, to Britain's membership of the euro, the government needs to reassess the place of fiscal policy, to ensure that it can play the necessary role in stabilising the economy over the cycle.

UK growth has slowed in 1998



Source: Datastream/ICV

Martin Weale is director and Garry Young is a senior research fellow at the National Institute of Economic and Social Research

This is the first in a series of forecasts on leading economies for 1999

FINANCIAL TIMES
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Year of living dangerously

The year 1998 was full of turmoil: crisis-hit Asia slumped; Japan contracted; Russia defaulted; commodity prices tumbled; markets gyrated; Brazil struggled; inflation disappeared; interest rates fell. Fortunately, Wall Street's "irrationally exuberant" bootstraps helped lift the world economy. It would be optimistic to rely on this happening again in 1999.

In its interim World Economic Outlook, the International Monetary Fund estimated that world output will grow 2.2 per cent in 1998, far below the 4.2 per cent achieved in 1997. But this decline will occur outside the US and the euro-zone, expected to grow 3.6 per cent and 2.8 per cent respectively. The Japanese economy will contract by 2.8 per cent, while the developing countries will expand only 2.8 per cent.

The year 1998 was good for the west, but dreadful for the rest. The IMF forecasts another year of 2.2 per cent growth in 1999, with expansion in the advanced economies declining from 2 to just 1.6 per cent, but modest recovery in developing countries. The US is expected to manage only 1.8 per cent, while Japan's economy will shrink again, if only by 0.5 per cent.

Yet, as the IMF notes, risks are on the downside. More by luck than judgment, Asia's crisis and US overheating offset each other in 1998. But a bathtub that is hot at one end and cold at the other is not in stable equilibrium. One threat is a further squeeze on US profits, which would undermine Wall Street's recovery. A second threat is a collapse in Japanese investment, which could force the authorities towards unbridled monetary expansion and a collapsing yen. A third danger is another round of turmoil in emerging markets, starting perhaps with a weak yen or a Brazilian devaluation.

Net dissaving

Some risks may be inescapable: an end to the unprecedented net dissaving of the US private sector is one. The central banks of the US and Japan could well find themselves struggling to sustain domestic demand, but must try. So must the fledgling European Central Bank. Domestic demand in the euro-zone needs to grow faster than potential output, thereby sustaining global growth and reducing cyclical unemployment. The monetary policy committee of the Bank of England also needs to prevent a sharp downturn, if it can.

Unpayable debt

Sustaining demand in advanced economies is one priority; restoring growth to the rest of the world, particularly Asia, is another. Countries burdened by unpayable debt need help to find a speedy and effective way to reduce their burden.

The year 1999 will be dominated by these short-term worries. But longer-term concerns must not be forgotten.

First, protectionist pressures are certain to build up, particularly in the US. These must be resisted. The European Union and the US should not succumb to irritation over intrinsically trivial issues, such as trade in bananas. Further global liberalisation must be pursued.

Second, the Asian financial crisis has demonstrated, yet again, the damaging fickleness of short-term capital flows. Ways must be found to reduce the costs to capital importers, either by making more liquidity available or by encouraging lenders to roll over their loans.

Third, the Russian default demonstrated the vulnerability of modern systems for managing financial risk. Many supposedly sophisticated investors appear to have misunderstood the nature of the dangers they were exposed to. Worse, these systems seem to have spread the contagion. Both institutions and regulators will need to consider the lessons carefully.

This year was disturbingly exciting; 1999 could prove no less so. The world economy needs careful guidance and reform. Those in charge of the world's biggest economies must resolve to rise to the challenge.

Finger-waggers get nowhere

The personal morality of public figures is under closer scrutiny than ever before. Leaders who place themselves on pedestals are the most obvious targets. The media spotlight can shrivel even the most exalted figure.

Bill Clinton, the US president, knows this all too well. Shortly before Christmas he called for an end to "the politics of personal destruction", no doubt with an eye on the opinion polls. They have registered increased support for his incumbency since he was impeached by Congress.

Some commentators find this puzzling. In an age in which ideological differences between political parties have narrowed the focus has moved to the lifestyles of politicians. Religious faith may be waning, but the need for rules of ethical behaviour persists.

Why, then, are US voters so ready to overlook their president's peculiar addiction?

The answer may be a shift in expectations. As Robert Livingston could testify, the great political sin of 1998 was not adultery, but being found out. He stood to become leader of the Republicans in Congress until his exposure by the publisher of a salacious magazine. He protested that unlike the president, his dalliance had not involved a young employee and he had not lied about it. Certainly the half-truths and evasions emanating from the White House are regarded as offensive by some representatives and senators.

Willing to forgive

However, American voters are less censorious, perhaps because of the insubstantial nature of what was supposed to be covered up. Most people, it seems, are willing to forgive private misbehaviour, unless the miscreant has been revealed as a hypocrite, a humbug, a poseur.

It was an excess of vanity that led to the downfall of Peter Mandelson, a close ally of the British prime minister, just before Christmas. Mr Mandelson was merely unwise to accept a large loan to buy a grander house than he could otherwise afford. But he was clearly wrong not to have declared the loan when it appeared to create a conflict of interest. In exposing it, the media served democracy as they should.

Public figures

But can the same be said of the many instances in which a politician or other public figure has been hounded down on the ground of personal impropriety? The answer depends on the details. The indiscretions of John Kennedy were not made public during his lifetime, and rightly so. Against that, it was proper to question Edward Kennedy's behaviour at Chappaquidick. If the drinking habits of Winston Churchill had been the subject of a 1990s-style press hunt it might have been made impossible for him to lead Britain to victory in the 1939-45 war.

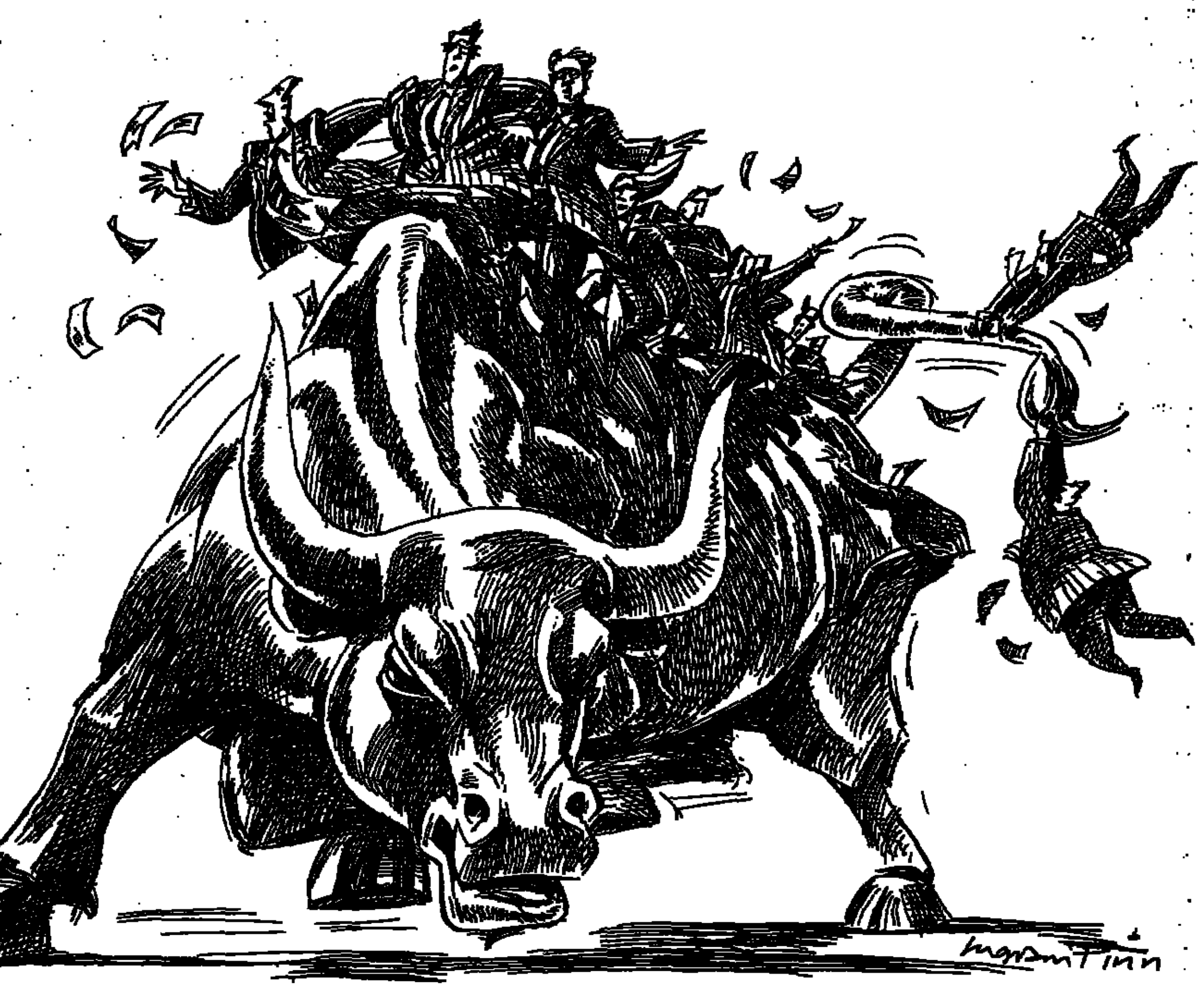
Since those deferential days, a case can be made that the pendulum has swung too far towards intrusiveness. The British royal family would no doubt think so. The US press first tasted blood when its reporting of the Watergate affair led to the resignation of Richard Nixon. But that was legitimate exposure of an abuse of power. By contrast, when the British media turned against former prime minister John Major's government and pursued "sleaze" in all its forms, it mixed sexual peccadilloes indiscriminately with serious allegations of bribery.

The press needs to be more careful in drawing the line between titillation and serious exposures. When revelations do not affect a politician's fitness for office, the public is often more tolerant than sanctimonious editors seem to believe. In Britain at least, it is possible to be "outed" as gay or a single parent and yet to remain in office. But voters show an increasing dislike of hypocrisy. This is no doubt a valuable restraint on politicians. And when politicians are open and honest with the public, the boundary between press intrusion and legitimate enquiry at least becomes clearer. The media may be slow to change. Meanwhile, politicians who wag their fingers from on high should beware the camera lens, the notebook and the tape recorder.

IT WAS THE YEAR WHEN . . . THE CULT OF THE EQUITY SEDUCED AMERICA

Riding for a fall

Share prices have supplanted profits as the measure of corporate performance in the US, writes **Richard Waters**. But the value so rapidly created by a bull market can as easily be destroyed



1998 NINETEEN NINETY EIGHT Nothing has come to symbolise the renaissance in American business over the past 15 years as much as the triumph of the US stock market. As the year draws to a close, share prices are riding high once again – and so is Corporate America.

The international financial crisis that lapped against American shores late this summer delivered the most severe test to US equity prices since 1987. It also tested corporate confidence. And while the stock market – and American business – came through largely unscathed, the episode was a reminder of how accustomed American companies have become to the bull market – and how deeply a more prolonged stock market reversal could affect the nation's business life.

The protracted rise in share prices has come to influence many aspects of American companies, from the way they measure performance to how they reward employees. It has created a culture in which a rising share price has become the be-all and end-all of corporate endeavour.

"The bull market, and the need to be part of it, changes corporate behaviour," says Martin Mayer, a sceptical observer of the US financial system.

The strength and longevity of the bull market has certainly been impressive. The year is ending with the Standard & Poor's 500 index 25 per cent above its level at the end of 1997 – an unmatched fourth year of gains in excess of 20 per cent.

If this unprecedented period in the stock market has created a cult of the equity among investors, then the same can be said of American companies.

Buoyant share prices have supplied the fuel for the greatest merger wave ever seen. They have also become almost the sole yardstick of corporate performance. And stock has become the pre-eminent currency of reward, turning corporate bosses into multi-millionaires and boosting the wealth of millions of ordinary workers – at least on paper.

Just as private investors seem transfixed by the prospect of ever-high share prices, so do the leaders of American business. "Expectations get ratcheted up among corporate chieftains, as well as among ordinary shareholders," says Margaret Blair, a corporate governance specialist at the Brookings Institution. Only when the stock market finally retreats will it become clear just how closely companies have hitched their fortunes to the market.

It should not be surprising to find that the cult of the equity has also led to abuses within companies – abuses that shareholders, regulators and others have begun only recently to tackle and, in some cases, even to understand.

This could be seen in three aspects of American corporate behaviour this year: the use of shares as ammunition for takeovers, as a yardstick of corporate performance and as a way to reward executives.

High stock prices have driven this decade's takeover wave, just as debt finance drove the giant buy-outs of the 1980s. Most of the big mergers seen in industries such as telecommunications, banking and energy since the mid-1990s have been financed by issuing shares.

Just how dependent this activity is on a buoyant stock market became clear this autumn, when the market's slide brought the takeover business to an abrupt, though brief, halt.

The mergers created by this stock market boom, however, have yet to prove their value. And they start life amid controversy. Regulators have expressed fears that lax accounting rules enable those involved in stock-financed mergers to present an overly rosy view.

Merging companies are currently allowed to combine their balance sheets through a form of accounting known in the US as "pooling of interests", and thus avoid creating any goodwill, which would otherwise have to be written off later against earnings. The days of such accounting may be numbered.

That said, however, the rise of the equity market has been generally positive for corporate finance during the 1990s, making companies less dependent on borrowing. "There isn't the great leverage [among American companies] there was coming into the 1990s," says Stephen Kaplan, a professor of finance at the University of Chicago.

A second area of concern is the use of share prices as a yardstick for performance. High stock market valuations have put American companies back in the spotlight, and once-dominant Japanese companies have had to move aside.

There are several reasons for this reversal of fortune. The return on capital of American companies has risen steadily over the past decade, thanks to a tighter investment discipline and a corporate governance regime that has forced managers to squeeze higher returns from their companies' assets.

However, the high valuations now placed on stocks can be justified only by similar advances in future. Those gains seem unrepeatable: at around 25 per cent, the return on capital of companies in the S&P500 is already at a historic high and corporate profits account for a larger share of national income than during the bull market of the 1960s.

Share prices have also come to be used as the primary measure of performance within companies. Chief executives seek to be judged by their contribution to "shareholder value" – a term which, for most companies, simply refers to the trajectory of the share price. In a bull market, such "value" is easy to create.

The flaw in this approach is highlighted by the squeeze on corporate earnings evident in 1998. This is likely to be the first year since the recession of the early 1990s in which profits have fallen. Yet share prices have still been rising strongly and it is this, rather than earnings, that has become the measure of performance – and executive pay.

The danger now, according to Arthur Levitt, chairman of the Securities and Exchange Commission, is that company bosses will find themselves under such pressure to meet stock market expectations of higher profits that they will be tempted to inflate their earnings artificially.

The influence of the stock market on executive pay has been among the most controversial.

The use of stock to reward executives was at the heart of the corporate governance revolution that helped to drag Corporate America out of its malaise of the 1970s and early 1980s. "Chief executives care about the stock price," says Prof Kaplan.

But the benefits of the stock option revolution that has spread from the US to other countries are not clear-cut.

Most executives have benefited far more from the general rise in share prices than from any outperformance by their own company. "Some people can get some extraordinary pay-outs for some pretty mediocre results," says Ken West, an adviser on boardroom practice at Tiia-Cref, one of the biggest managers of US pension assets.

Stock options have also been distorted by the huge variance in the way they are used. An examination of pay in large companies between 1993-97 shows little correlation between the size of the option grants given to chief executives and shareholder returns, says Bud Crystal, a US compensation expert. "What's lacking is any rhyme or reason for the size of grants," he says.

And when share prices fall, companies are often tempted to ratchet down the exercise price of options – essential, they claim, to maintain the incentive value of such arrangements. The stock market fall this autumn prompted a "spasm of [option] repricing" that should serve as a warning about what would happen in a prolonged downturn, says Mr West.

It is not surprising when shareholders get angry about such moves. Take the highs and lows seen by Ziff Davis, a magazine publisher. The company's shares, which traded early on at $16, had fallen to $6 by October – a decline that prompted the company to cut the exercise price on its options by a similar amount.

Things have improved since, however. Last week, Ziff Davis' shares touched $16 again, delivering an impressive Christmas present to executives. Other shareholders merely find themselves back where they started.

Stock options also prompt questions about their effect on companies' earnings. The treatment of options prompted the biggest battle over accounting rules of the decade. In the event, corporate bosses defeated the accounting purists: companies do not have to deduct the cost of issuing options from their profits along with other forms of pay. In industries that have come to rely on options, such as information technology, that has made a huge difference to reported earnings.

The extensive use of options has also begun to shift the ownership structure of companies. At the end of September, Microsoft employees had options over $50bn worth of stock – a massive amount, even for a company worth over $300bn.

The need to buy back stock to satisfy these employee options has been one of the main drivers behind the widely-used share repurchase plans. These shifts in ownership can have important consequences, says Mr Mayer: with a narrower ownership base, for instance, it becomes easier for a company to influence its share price by buying back its own stock.

Such changes in corporate behaviour may have lasting effects on how companies are governed. But with another year of impressive stock market gains under its belt, Corporate America seems as wedded as ever to the cult of the equity: only in a prolonged stock market decline will the effects become more apparent.

Losing heart in Seoul

John Burton meets the Korean finance minister who ended up in jail as a result of his country's economic woes

Some blame Kang Kyong-shik for triggering South Korea's economic crisis. Others believe he is one of its most prominent victims.

Mr Kang was finance minister when disaster struck Korea a year ago. In his rapid fall from grace, he was sacked, charged with gross negligence and imprisoned for three months. He is now on bail while a Seoul court ponders his fate. He could face a five-year prison term.

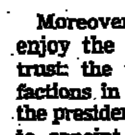
"It's been the most difficult year in my life," he says.

Mr Kang was arrested on May 18 this year. "I was placed in a small cell, where I ate and slept. To keep my spirits up, I meditated and read religious books. I also read economics," he jokes. To add to his humiliation, the government insisted he appear in court dressed in a prison uniform, his hands handcuffed and tied in ropes.

Prosecutors say senior government officials should be held legally responsible for policy failures. But Mr Kang and his supporters argue he is being made a scapegoat for Korea's humiliating decision to seek a $58bn rescue from the International Monetary Fund.

In retrospect, Mr Kang now realises he was walking into a political minefield when he accepted the finance minister's job in March 1997.

Mr Kang was taking on one of the most powerful – and insecure – posts in government. Kim Young-sam, Korea's president at the time, had a habit of sacking finance ministers whenever there was a public outcry over economic policy. As a result, Mr Kang was the seventh finance minister since Mr Kim's election in 1993. And he was taking office with the economy already showing signs of severe strain as several conglomerates collapsed, raising fears of a possible banking crisis.



Riches to rags

Moreover, Mr Kang did not enjoy the president's complete trust: the two came from rival factions in the ruling party. But the president had been persuaded to appoint the US-educated Mr Kang because of his impressive credentials as a former finance minister and chairman of the state-run Korea Development Bank.

Mr Kang became a liberal voice in the conservative finance ministry. He called for reforms to solve Korea's economic problems, including financial liberalisation and deregulation.

He admits he came under pressure to abandon market principles and revert to state intervention in the autumn of 1997, when Mr Kim's government, besieged by economic problems, risked being voted out of office in elections in December.

He agreed to nationalise Kia Motors to save the insolvent carmaker, one of Korea's biggest. But the Kia rescue undermined foreign confidence in Korea just as other Asian economies were tottering on the brink of collapse.

As Korea's currency, the won, came under attack, Mr Kang decided to defend it with the nation's foreign exchange reserves, rather than by raising interest rates. He claims he had no alternative. After overseas banks cut credit lines to troubled Korean financial groups, most of the country's dollar reserves were used to pay their foreign liabilities. In this context, Mr Kang argues, raising interest rates would not have shored up the won.

"I was responsible for those decisions," he says. Unfortunately for Mr Kang, many people think he took the wrong ones.

"Kang may be regarded as a free-market liberal, but his policies on foreign exchange reserves and low interest rates were disastrous," says one senior economic official in the present government of Kim Dae-jung.

As Korea's foreign debt crisis spun out of control, Mr Kang decided to approach the IMF for help. But on November 19, the day he was supposed to announce the rescue package, Mr Kang was sacked.

The former finance minister's supporters believe he was the victim of a cruel political intrigue. They believe Mr Kim was persuaded that a new finance minister might be able to save Korea from the clutches of the IMF. That hope ultimately proved to be futile.

Mr Kang was accused of concealing the gravity of Korea's financial crisis from Mr Kim, although Mr Kang's lawyer suggests the president might have feigned ignorance to avoid responsibility.

Many economists say Mr Kim, who never held a deep interest in economics, might have sowed the seeds of the crisis when he came to power during a mild recession in 1993. He chose to reflate the economy by encouraging conglomerates to borrow abroad to finance new factories. As a result, Korea's private sector foreign debt ballooned.

Nonetheless, it was Mr Kang who shouldered the blame for the debacle, if only because he was the man in charge of the economy when the crisis broke.

Released in September, Mr Kang awaits a court decision on his fate. The court is expected to rule in mid-1999. As a serving member of parliament, he is looking forward to parliamentary hearings scheduled next month on the causes of the economic crisis.

"I hope it will clear my name," he says.

This is the first in a series on victims of the Asian economic crisis

Down and out: Kang says he was a scapegoat for the government

FINANCIAL TIMES
MONDAY DECEMBER 28 1998

THE LEX COLUMN

The ghosts of crises past

So was it all just a nightmare? Viewed from Europe or the US and with senses dulled by Christmas festivities, the crises of the past year may indeed seem like a bad dream. After all, Western stock markets are booming again. So everything must be all right – surely?

1998 was the year when financial crises showed up all over the world. First, the emerging markets crisis – which started in Asia, spread to Russia and then hopped over to Brazil. Second, Japan's long drawn-out upheavals. And third, the hedge-fund crisis centred on Long-Term Capital Management.

Viewed from Jakarta, Moscow or Tokyo, the notion that everything is OK would seem like a bad joke. But, through a mixture of rapid-fire cuts in US and European interest rates, bail-outs by the International Monetary Fund and the refusal of US investors to panic, crisis has been kept from the core of the west's financial system – so far.

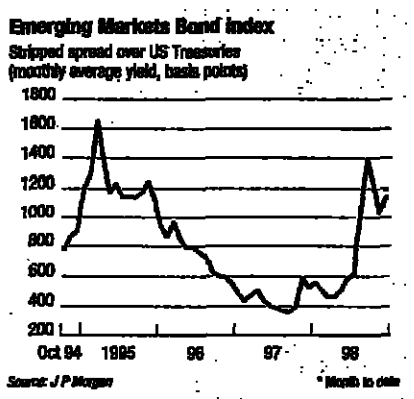
The snag is that the ghosts of crises past have not fully been laid to rest. Not only are problems in Japan and Brazil still continuing. The IMF and Greenspan bail-outs, despite temporarily dousing the fires, may have stoked things up for the future by numbing investors' sensitivity to risk.

Take the three crises in turn. First, emerging markets. It would be excessive to describe this as the crisis of global capitalism, as some have done, but it has exposed the fact that free market economics cannot merely be slapped on top of corrupt political systems, as in Asia's crony capitalism or Russia's robber baron version.

Nor can free markets thrive on rickety financial foundations. One of the consequences is that borrowing can easily get out of hand, a common feature of all the crisis-riven emerging economies: excessive debt, especially in foreign currencies or short-term borrowing, was the immediate trigger of the collapse or near-collapse.

There has, of course, been some good news. South Korea, in particular, has begun vigorous political and economic reform and seems to have turned the corner decisively. And international investors have not got off lightly. Those who bought Russian bonds, for example, have

Emerging Markets Bond index
Stripped spread over US Treasuries
(monthly average yield, basis points)



Source: J P Morgan
* Month to date

burnt their fingers badly. So there will be somewhat less danger of repeating that mistake.

However, the IMF's $41bn rescue package for Brazil has sent exactly the wrong message. As with Indonesia and Russia, it repeated the error of lending money to prop up an overvalued exchange rate. One of the lessons of the past year is that it is hazardous to fix currencies artificially. Another IMF error was not to include private sector lenders at the same time that it poured in its own cash.

The result is that the package relies precariously on the confidence of the markets. If investors stick with Brazil everything will be fine, but if they cut and run – and short-term rates still at 30 per cent indicate continued nervousness – even the IMF's money will not be enough. The whole edifice will then collapse spectacularly, crushing the IMF's already dented credibility in the process and possibly touching off another round of emerging market contagion.

It is too late to remedy the errors of Brazil's package, but not to put things right for future crises. Indeed, the IMF should use the current lull to say that in future its cash will not be available for fixing currencies and the private sector will be expected to participate in any bail-outs.

What, then, about the second ghost – Japan? The country itself is not going to go bankrupt; it is too rich for that. But wealth has been frittered away at such an alarming rate – in a vain attempt to shore up an outdated economic system – that crunch time may not be far away.

At the start of 1998, the consensus was that Japan had so much capital that the government could bail out its banks and spend its way out of recession. But, as the year draws to an end, it is becoming increasingly clear that even the Japanese government's borrowing capacity is limited.

The denouement looks like being either a further rise in long-term interest rates, which would trap the economy in recession longer still, or having to resort to printing money, which could put the skids under the yen. Neither would be good for the global economy.

The big lesson from Japan is that wild parties are almost invariably followed by hangovers – in this case, the party was the bubble economy of the late 1980s. The worry is that the same mistake is being repeated in the US, albeit on a less extravagant scale. The stock market has reached bubble proportions, the savings ratio has sunk to zero and the current account deficit is widening rapidly. None of these linked phenomena can continue indefinitely. The only question is whether the US can be brought down from its highs gently or whether a full helping of cold turkey will be required.

This is where the third ghost, LTCM, enters the story. For a brief moment in September and October, during the so-called "dash for cash", bankers were running scared. Liquidity dried up, risk premiums were shooting up and the western financial system looked unstable. Then Alan Greenspan rode to the rescue with three quick interest rate cuts. The snag is that there does not seem any half-way house between panic and exuberance: financial markets immediately shot back upwards.

And this is Mr Greenspan's dilemma: how do you remove air from a bubble without it popping? Nobody has come up with a convincing answer. As a result, the Federal Reserve's chairman gives the impression less of a man in control of the US and global economies than of one desperately protecting a fragile situation in the hope that something will rescue him.

The ghosts of crises past may have temporarily vanished from our minds. But they could easily return to haunt us.

China turns the screws as economic woes rise

Fears over social unrest are stalling attempts at reform

By James Kynge in Beijing

China is cranking up the machinery of political control as it seeks to prevent bleak economic prospects from triggering social unrest next year – the 50th anniversary of the birth of the People's Republic.

Books have been suppressed and there has been a revival of slogans such as "stability overrides everything" – last seen during the conservative aftermath of the 1989 crackdown on Tiananmen Square pro-democracy activists.

Yesterday another dissident was jailed, the fourth in a week, underlining Beijing's disregard for international protests over the recent imprisonment of the best-known democracy activists still in the country. Xu Wenli, China's best-known resident dissident, was given 13 years last week.

Then yesterday Zhang Shanguang was sentenced to 10 years and stripped of his political rights for five years by a court in closed session in the central Chinese province of Wuhan.

The trials of prominent dissidents have been the most visible expressions of a new sense of insecurity within the halls of Communist power. But the crackdown on dissent is only part of a broad-based return to caution which, officials say, is expected to freeze many of the painful but crucial reforms championed by Zhu Rongji, the premier.

So far there appears to be little evidence that the new winds blowing in Beijing signify that Mr Zhu, the darling of the foreign investment community, is losing influence to resurgent conservative rivals, including Li Peng, the former premier, who still outranks Mr Zhu in the Communist party hierarchy.

But the lurch towards conservatism may undermine the natural constituency of a premier who took office in March with a clarion call to overhaul China's ailing state-owned industries and banking system within three years.

China's new course back to greater socialist orthodoxy was proclaimed by Jiang Zemin, the president, in a speech earlier this month. Some of his pronouncements, notably one that China would never embrace Western modes of government, have had immediate effect.

Face of protest: This banner of jailed dissident Xu Wenli calls for his release Reuters

Authorities have issued orders to publishers forbidding the printing, reproduction or distribution of any subversive written or recorded works, or anything else that "endangers social order" – a catch-all phrase that is expected to reverse this year's trend toward greater transparency and debate in the officially controlled media. One renowned book on political reforms, *Political China: Facing the era of choosing a new structure*, has already been pulled from bookshelves.

Newspaper editorials are again using the "stability overrides everything" slogan that was used during the Tiananmen era as a justification for freezing most economic reforms and many civil freedoms.

"You can see why the government is really tightening up," said a professor at Beijing University. "It is the 10th anniversary of the Tiananmen crackdown, the 50th anniversary of the founding of the People's Republic and the 80th anniversary of the May 4th (democracy) movement. There are many opportunities to protest."

But it was a sense of insecurity over China's economic problems, more than the approach of sensitive anniversaries, that has impelled the government to tighten up, according to other analysts. Beijing these days is able to exert only limited influence over its economic destiny.

The launch in August this year of a Rmb100bn bond issue to support infrastructure spending has had only a marginal effect in stimulating an economy beset by weak consumer spending, falling exports, price deflation, falling corporate profits and declining foreign investment commitments. Interest rate cuts this year have also had little appreciable effect in stimulating spending.

Rising urban unemployment, which some Chinese economists expect to reach 9 per cent next – or 18m workers – next year is the government's greatest worry. In the absence of effective policies to stimulate economic growth, the government has been left with no option but to stop any reform that causes unemployment, one official said.

The reality is that there is already a yawning gulf between rich and poor. Demonstrations by disaffected workers have taken place in cities throughout China. Even with its latest crackdown on thoughts and deeds, Beijing may find its machinery of control sorely tested.

CONTENTS

News

Features

US electricity workers struggling to restore supplies in Louisiana, where ice storms left 100,000 people without power. Respite for oil, Page 20 AP

Companies & Finance

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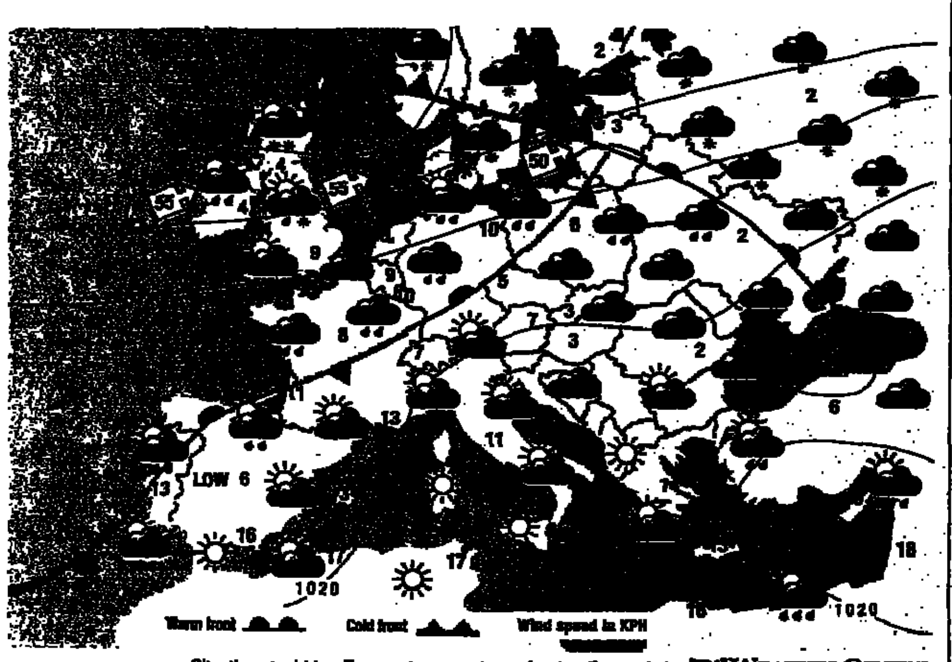
FT WEATHER GUIDE

Europe today

The central and eastern Mediterranean will be chilly but dry although Cyprus will have showers. Eastern Spain and the French Riviera should be fine but western Spain and Portugal will have showers and snow. North-west Europe, including Denmark, will be blustery with cloud and rain but will be mild. Central Europe, including the Alps and the Balkans, will be dry and settled but there will be freezing fog in low-lying valleys. A depression will bring snow and coastal rain to southern parts of Norway and Sweden.

Five-day forecast

Western Europe will be unsettled and windy with showers and longer spells of rain. Weakening fronts will bring light rain and snow to central Europe. East and north-east Europe will be dominated by high pressure from Wednesday but it will turn colder.



Situation at midday. Temperatures maximum for day. Forecasts by PA WEATHERCENTRE

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	27
Accra	Sun	32
Algiers	Fair	17
Amsterdam	Shower	8
Athens	Sun	14
Atlanta	Rain	12
B. Aires	Thunder	28
B.ham	Shower	6
Bangkok	Fair	33
Barcelona	Fair	13
Beijing	Cloudy	-1
Belfast	Shower	4
Belgrade	Fair	1
Berlin	Rain	10
Bermuda	Shower	24
Bogota	Cloudy	21
Bombay	Sun	32
Brussels	Cloudy	8
Budapest	Fair	2
C.hagen	Drzzl	7
Cairo	Fair	17
Caracas	Sun	29
Cardiff	Shower	7
Casablanca	Shower	17
Chicago	Fair	1
Cologne	Shower	11
Dakar	Sun	26
Dallas	Fair	20
Delhi	Sun	22
Dubai	Sun	29
Dublin	Shower	4
Dubrovnik	Sun	6
Edinburgh	Shower	4
Faro	Fair	15
Frankfurt	Fair	11
Geneva	Fair	7
Gibraltar	Fair	16
Glasgow	Sleet	3
Hamburg	Shower	10
Helsinki	Cloudy	2
Hong Kong	Fair	20
Honolulu	Fair	27
Istanbul	Sun	9
Jakarta	Fair	31
Jersey	Shower	10
Jo.burg	Thunder	23
Karachi	Sun	28
Kuwait	Fair	25
L. Angeles	Sun	22
Las Palmas	Sun	21
Lima	Fair	25
Lisbon	Shower	13
London	Fair	8
Lux.bourg	Shower	7
Lyon	Cloudy	11
Madeira	Fair	19
Madrid	Drzzl	6
Majorca	Fair	15
Malta	Fair	15
Manchester	Shower	6
Manila	Fair	29
Melbourne	Fair	20
Mexico City	Sun	21
Miami	Fair	28
Milan	fog	4
Montreal	Cloudy	4
Moscow	Sleet	2
Munich	Fair	9
Nairobi	Fair	27
Naples	Sun	14
Nassau	Fair	27
New York	Fair	9
Nice	Fair	15
Nicosia	Shower	18
Oslo	Rain	1
Paris	Rain	8
Perth	Sun	31
Prague	Fair	5
Rangoon	Fair	33
Reykjavik	Fair	-2
Rio	Fair	30
Rome	Fair	11
S. Frsco	Fair	13
Seoul	Fair	6
Singapore	Thunder	29
Stockholm	Snow	2
Strasbourg	Fair	10
Sydney	Sun	28
Tangier	Shower	15
Tel Aviv	Fair	18
Tokyo	Fair	13
Toronto	Fair	3
Vancouver	Rain	8
Venice	fog	5
Vienna	Cloudy	7
Warsaw	Cloudy	6
Washington	Fair	10
Wellington	Fair	20
Winnipeg	Cloudy	-14
Zurich	Cloudy	8

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

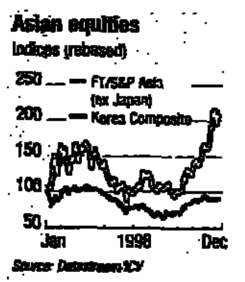
Euro set to take centre stage

The main focus for European equities this week will be the launch of the euro. Some analysts expect strategic re-adjustment of equity portfolios after a subdued pre-Christmas period when investors were deterred by the launch of the euro and the prospect of redenomination. On the bonds side, the first quarter of the new year is likely to see the highest volume of issuance with France, Germany and Italy leading the way, according to Deutsche Bank. Page 19

Cold snap brings respite for oil

A cold snap in the US, the first this winter, pushed oil's February contract up to $10.18 a barrel on Thursday, before it fell back to $10.12 on the International Petroleum Exchange. Oil had started the week at $9.81 a barrel. The arctic conditions were short-lived and temperatures in the north-east US, one of the world's biggest consuming areas for heating oil, were forecast to be above normal by yesterday. Page 20

Seoul performance lifts Asian gloom



As 1998 began with the Asian crisis in full swing and no clear solution in sight, most people would have expected a bad year for the region's equity markets. Yet calculated in dollars, the year has not been as bad as the gloom suggested. Some countries have put on a sparkling performance, with South Korean stocks doubling in dollar terms. Page 31

Final flurry for bond convergence

The yield on the Italian 10-year benchmark bond dipped for the first time below the 10-year German bund last week, in the final – and most surprising – flurry of the European convergence rally. Credit spreads between euro-zone countries are getting tighter despite the differences in their credit ratings. Page 17

Dollar firms against the yen

Position-squaring ahead of the Christmas holiday period and renewed concerns over the plight of the Japanese financial system helped lift the dollar versus the yen on Thursday after Standard & Poor's lowered ratings for seven large Japanese banks. Page 18

HK faces more of the same in '99

As Hong Kong emerges from a roller-coaster year – even by its own volatile standards – only one prediction seems safe for 1999: more of the same. Page 17

Dow poised to end year at new high

Further small gains in the Dow Jones Industrial Average on Thursday left the index of blue-chip stocks positioned to end the year at a record high. Page 31

FT GUIDE TO THE WEEK

– full listings Page 34

A CHANGE FOR TIME
At midnight on New Year's eve a "leap second" will be added to official time. The extra second is needed to bring Co-ordinated Universal Time, which is determined by atomic clocks, into alignment with the time determined by the earth's rotation, which is slowing slightly.

DESERT BASH
On New Year's day the annual Paris-Dakar Rally begins, with 850 competitors in cars, trucks and on motorcycles setting off from Versailles for a 6,400 mile trek.

PRIVACY FOR THE STARS
On the same day California's "stalkerazzi" bill comes into effect, aimed at preventing photographers and journalists from excessive intrusion into the private lives of celebrities.

COMPANIES IN THIS ISSUE

MARKET STATISTICS

Paris 'backs Thomson and Marconi merger'

GEC may seek links with BAe or a US company

By Jo Johnson

Thomson-CSF, the defence electronics group, says it has won the full backing of the French government to pursue a merger with Marconi Electronics, the defence unit of the UK's General Electric Company.

GEC has made it clear that a deal with Thomson-CSF is just one of its options that also include linking with British Aerospace or with one of a number of US companies, with Lockheed Martin the most likely candidate.

According to Denis Ranque, Thomson-CSF's chairman, the socialist government has also agreed to reduce the state's 40 per cent shareholding to below 10 per cent if necessary to complete the transaction. Insiders say the government is prepared to sell its holding completely.

State ownership has long been seen as an important obstacle to the full participation of French companies such as Thomson-CSF and Aerospatiale in the feverish merger talks taking place across the European defence industry.

"I have had intense and successful discussions with the French government that make me fully convinced that if such a deal is presented to it conditional upon a significantly reduced government holding, there will be no problem on its part," Mr Ranque said.

Attempts to merge Marconi Electronics and Thomson-CSF, Europe's top two defence electronics companies by sales, have been scuppered twice in the past three years by the French government's opposition to Thomson-CSF's loss of independence, particularly in a merger with a non-domestic partner.

In February 1996, plans by Alain Gomez, Thomson-CSF's then president, to merge with Marconi led to his abrupt departure from the company and the launching of an all-French privatisation process. In 1997, GEC's bid for Thomson-CSF was blocked by the French government. A series of transactions finally led to Alcatel and Dassault Industries taking a combined 21 per cent stake. Some 33 per cent of Thomson-CSF floats freely.

However, it is unclear whether GEC, which last week signalled its intention to separate its defence business from its telecommunications and industrial arms, still regards a Marconi/Thomson-CSF merger as its best strategic option.

One obstacle to a deal is that in their discussions, Thomson and GEC have disagreed on how much Marconi Electronics – which is forecast to have operating profits of £430m ($722m) on sales of around £5bn in 1999 – is worth.

In its current shape and financial structure, Thomson-CSF, with a market capitalisation of £3.8bn is likely to be the junior partner in any deal, but is holding out for more than a 40 per cent share in any merged entity.

Thomson-CSF chairman Denis Ranque: 'No problem with Paris'

Banks seek deal on VSZ's $450m debt

By Kevin Done, East Europe Correspondent

International banks facing the biggest corporate default in central Europe since the collapse of communism aim to reach a preliminary debt standstill agreement with VSZ, the Slovak steel producer, by late January on loans of about $450m.

A final deal to restructure VSZ's debts is unlikely to be completed before the end of March.

A preliminary report presented to the banks last week by PwC, the accountancy firm brought in last month to investigate the group's deteriorating finances, indicates VSZ's total financial indebtedness is much higher than the $300m-$350m previously feared.

The collapse into default by VSZ has sent tremors through the Slovak economy. One of the leading steel producers in east Europe, VSZ has accounted in recent years for 14 per cent of Slovak exports with its turnover equivalent to 8 per cent of gross domestic product. VSZ, which has a workforce of about 25,000, faces severe liquidity problems and has been forced to reduce end of year wages to employees. With payments to suppliers under growing pressure, stocks of some raw materials, in particular coal, are running low.

The financial crisis at VSZ has worsened since it defaulted last month on the repayment of a $35m syndicated loan arranged in 1995 by Merrill Lynch. This caused its other lenders to act because of the cross-default clauses in the loan agreements. Loans otherwise due for repayment in 2001 or 2002 are now liable to repayment "on demand" unless a debt restructuring deal is reached.

The steel group has been among the leading Slovak corporate borrowers in the international capital markets in recent years with deals including a $125m four-year syndicated loan arranged by ING Barings, a $50m five-year syndicated loan arranged by Chase, and a DM55m ($33m) note issuance facility led by DG Bank.

FREEZE THREAT FOR COMPANIES OPPOSING CORPORATE RESTRUCTURING

LG Semicon may lose loans for rejecting merger terms

By John Larkin in Seoul

Creditors will today consider cutting loans to LG Semicon, the chipmaker, over its refusal to yield managerial control to rival Hyundai Group in a government-planned merger to create the world's second-biggest chip producer.

A credit freeze would mark the first time the government had used its control of four nationalised banks to punish companies that oppose its corporate restructuring efforts.

LG has rejected a consultant's report recommending Hyundai Electronics Industries be given a 70 per cent controlling stake in the new entity.

The merger would leave South Korea with two chip producers, and is viewed as vital to the country's drive to trim its highly-leveraged corporate sector.

LG said yesterday it would sue the report's author, Arthur D. Little, the US-based international consultancy. Koo Bon Joon, LG president, said ADL's "unfair" and "distorted" assessment had damaged the company's reputation.

At the weekend Yonhap newsagency quoted an ADL official defending the report, which gave Hyundai Electronics the edge in 10 of 15 benchmarks used to assess which firm was best equipped to manage the merged company.

LG has said repeatedly it would never relinquish control of its semiconductor unit, and has prepared for the punitive credit squeeze by amassing a cash pile through capital increases and asset sales. "We don't reject the government's merger plan, just the unfairness of ADL's report," LG Semicon said.

The Financial Supervisory Commission, the state body, has warned that reform-shy conglomerates will face a credit freeze on existing and future loans until they fall into line. Lee Hun Jai, FSC chief, gave the two companies until December 25 to reach an agreement. "We're about to see just how difficult this reform process will be," said David Kim, research head at W.I. Carr Indosuez Securities. "The government wants to consummate this process very soon."

ADL's report recommended that Hyundai take the controlling stake in recognition of its "consistent edge" in most areas. "We believe that with proper management and financing, the combined firm should become the number one DRAM (dynamic random access memory) company in the world."

The threatened lawsuit against ADL could be a stalling tactic while LG extracts concessions in return for allowing Hyundai a controlling stake. Analysts said suspension of credit would have too great an impact on LG's group-wide finances to be considered an option. The merger is the keystone of a chaebol restructuring pact signed this month by the top five conglomerates.

Seoul is anxious to build on acclaim received for opening its financial markets.

Paine Webber in tie-up with Japanese insurer

By Tracy Corrigan in New York

Paine Webber Group, the US brokerage, has set up a joint venture with Yasuda Mutual life insurance company, Japan's oldest life company, in the latest effort by a US institution to sell mutual funds and other asset management products into the evolving Japanese retail market.

Other US firms trying to gain a foothold include Merrill Lynch, Salomon Smith Barney and Putnam Investments.

US firms are relying on Japanese investors' disenchantment with local groups and a growing need to build individual savings, coupled with financial reform in Japan, to help them. But in most cases US firms are linking with partners offering an established distribution network.

For their part, Japanese firms have become more willing to deal with strongly capitalised US firms because of their own financial weakness.

Early this year, Merrill took over the branch network of the now defunct Yamaichi Securities, but revenues have been disappointing and costs higher than expected. Other efforts include a joint venture between Citigroup's Salomon Smith Barney and Nikko Securities. American Express recently applied for a licence to open a brokerage in Japan.

"This looks like it's the turn in Japan," said Donald Marron, chairman and chief executive officer of PaineWebber He said Japanese financial reforms and the expected advent of pension plans similar to the 401K plans in the US market have created an opportunity for expansion in Japan.

The joint venture, called the Yasuda PaineWebber Mutual company, will be based in Tokyo and sell investment products through Yasuda's salesforce of more than 15,000.

This means there will be "limited net new costs", Mr Marron said. "We have a money management operation and they have a distribution network." If successful, the operation would be expanded.

The joint venture will be 55 per cent owned by Yasuda Mutual Life and its affiliate Yasuda Capital Management, and 45 per cent owned by Paine Webber Group. It initially has capital of $16m.

PAUL ABRAHAMS
GLOBAL INVESTOR

No news is bad news

Modern international capital markets should be efficient. That is, investors should have access to accurate, market-moving news in a timely manner on an equal basis. Tokyo fails the efficient market test on all counts.

Collusion between Japanese companies, journalists and regulators distorts the way information flows to the market. News is regularly leaked to a single newspaper or selected group of news organisations and the story published unsourced. Companies often refuse to confirm or deny the story, creating a false market in the shares.

The result is that Japanese equities are more volatile than they need be, raising companies' cost of equity. Moreover, the way new information reaches the market often places retail and foreign investors at a disadvantage.

The fault lies partly with Japanese newspapers and their obsession with scoops and receiving information on a partial basis. This practice is institutionalised through kisha clubs, the 1,000-odd exclusive clubs of journalists to which companies, politicians and bureaucrats give briefings.

Defenders of the system say the clubs are no different from the White House press corps, or the so-called Lobby of political reporters at the British parliament, that receive unattributable information. Such behaviour may be justifiable in a political setting, but has no place in modern capital markets.

Senior managers of many Japanese companies often leak critical information such as profits warnings to the domestic press, and then fail to tell their under-resourced public relations departments, leaving them to read about it in the morning's newspapers. PR officials are usually junior and too often have little knowledge of what is happening.

Earlier this year, the Financial Times contacted Daiwa Securities and Sumitomo Trust about a possible link-up between the companies. The groups categorically denied the news in late-night telephone calls. The next morning the story was in the Japanese press, but was only confirmed by the companies after trading ended.

One manager explained afterwards that he would have been unable to say "no comment" – the normal western response – because such a reply gave Japanese media full rein to write whatever they wanted. In a western context, the regulators would step in to prevent such abuses. In Japan, they appear unable or unwilling to tackle the leaking of market-moving news. Such abuses can be flagrant.

More puzzling is the case of Ishikawa Seisakusho, a small Kanazawa-based manufacturer of textile-making machinery. Last January its shares were languishing at Y51. By June, they had rocketed to Y817 ($5.40), but by October were back at Y116. The company admits it is mystified and has issued no information that might have justified such moves. Yet the stock is regularly among the biggest percentage fallers or gainers on the entire market, and is often among the top 10 traded shares. It had sales last year of Y16bn ($135m).

Ishikawa seems to be that peculiar Japanese entity, a "speculative stock". In such cases, a small group of investors corners a substantial proportion of an illiquid stock and then ramps it, attracting enough retail investors to drive up the price, and then tries to exit before the shares collapse again.

Some argue that leaks, unconfirmed stories and misinformation are merely a reflection of the Japanese taste for euphemisms. In most situations it is perfectly acceptable for a Japanese to present a face-saving explanation for something that bears little or no relation to the unpleasant truth. These euphemisms are known as tatemae, a word suggesting a formal or official explanation, and are openly contrasted with honne, the truth.

Such cultural arguments offer no excuse. Even Japanese retail investors are regularly caught out – hence their steady disenchantment with equities. They now own less than 10 per cent of the market. If Tokyo is to cement its position as Asia's pre-eminent capital market, it needs to become efficient. And that will mean cleaning up the way information is released.

MEDIA SERVICES HOLDERS CLAIM PHOTOBITION OFFER IS AN ATTEMPT TO BUY GROUP CHEAPLY

Principal Wace investors refuse $134m bid

By Jonathan Ford

Investors holding more than 25 per cent of Wace intend to reject the $134m (£80m) hostile bid launched last week for the provider of digital imaging services by Photobition, a rival media services group.

Huntington Partners of the US, which holds 20 per cent, and Herald Investments of the UK, which has 5.2 per cent, claim the bid is an attempt to buy Wace cheaply at a low point in its fortunes.

Shares in Wace plunged from 275p two years ago to a low of 17½p in October after the debt-burdened group ran into problems in the US and breached loan covenants.

It has since sold most of its peripheral operations, raising nearly £80m to eliminate debt and focus on providing digital imaging services to media groups. The group has also changed its management team, appointing Derek Ashley as chief executive. Huntington said it would support the management.

Blane Reike, a fund manager at Huntington, said: "We think they are making real progress and Photobition's bid does not reflect that. This bid is too low and we cannot envisage accepting it in its current form."

Photobition is offering 21.93 of its own shares for every 100 Wace shares. At Thursday's closing price of 239p, this valued each Wace share at 52.4p and the whole of the equity at £41.5m. There is a full cash alternative at 50p. Photobition is also offering £39.2m for all Wace's preference shares.

Photobition, which supplies digital imaging services in the UK and Europe, is keen to expand in the US by taking over Wace's operations there. The group launched its bid amid controversy, claiming it had sought a recommendation, which Wace denies. Eddie Marchbanks, chief executive of Photobition, said he would prefer an agreed deal, but was not prepared to sweeten the terms of the offer to get it. "We are already paying a very full price for this business."

Herald, a fund management group specialising in media and technology stocks, said the bid failed to value Wace's recovery potential. Wace, which lost £76.4m before tax last year, is expected to return to profit in 1999. Katie Potts, a fund manager at Herald, said the slimmed down group could conceivably make pre-tax profits of about £15m.

"If you believe the management can deliver those sort of results for shareholders, there is no way this business should be valued at £80m," she said.

Herald and Huntington are two of five investors that control more than 50 per cent of Wace's shares.

Auditors halve Unipart value on contract loss

By John Griffiths

Auditors of Unipart, the motor components, distribution and logistics group, have reduced their valuation of the company by more than 50 per cent, from £212m to £91m.

The cut was made after a decision by BMW, Rover's owner, not to renew a parts distribution contract when it expires in four years' time.

A sharp downwards adjustment of Unipart's shares in the auditors' – PwC's – valuation had been expected since BMW's disclosure in May that it would not be renewing the contract. This still accounts for more than one-third of Unipart's turnover, down from 70 per cent at privatisation.

The latest valuation lists Unipart's shares at 98p, down from 230p in 1997.

The group was privatised by an institutional and management buy-out from Rover 11 years ago. It is owned 46 per cent by its 4,500 employees and directors, 20 per cent by Rover and the remainder by City institutions, led by Electra Fleming, with 14 per cent.

While the latest valuation means a substantial write-down for all three groups of shareholders – BMW's own holding loses £24m of its value – the Unipart employees who bought shares for ½p at privatisation are still seeing a sizeable return on their investment.

John Neill, Unipart's group chief executive, said yesterday, "no one's surprised" by the lower valuation. It would not change the group's commitment to long-term investment strategies, he added.

Aware for some years that the Rover distribution contract was unlikely to be renewed, Unipart has invested heavily in several components manufacturing joint ventures with Japanese and German partners.

It has also founded businesses in rail, health and other sectors to compensate for the eventual loss of the contract.

"It will be early next century – as the contract is running out – that the benefits of the investment programme will really start to show through," said Mr Neill.

"One of the biggest advantages of not being quoted is the ability to take a long-term view, and not to have to take short-term actions to boost the share price."

He said the valuation was influenced by a number of other factors. These included:

- Lower demand in Japan and other areas where growth for Unipart's automotive industry customers had been hit by this year's financial and economic crises;
- The impact of production cuts and declining sales at Rover, still the biggest single customer for Unipart's components, and supplies of which are unaffected by termination of the distribution contract; and
- The drag-down effect of the poor overall performance of the UK's automotive parts distribution and components manufacturing sectors this year.

Shares in these sectors have fallen by 50 per cent or more on average during the past 12 months, although Unipart itself has outperformed.

Isuzu's restructuring plan

By Paul Abrahams in Tokyo

Isuzu, Japan's largest truckmaker and an affiliate of General Motors of the US, has unveiled a sweeping restructuring plan aimed at bringing the group back into profit and reducing its net debt.

The plan, which includes cutting the group-wide workforce by 10 per cent, follows GM's decision this month to increase its stake in the company from 37.5 per cent to 49 per cent.

The Japanese company, struggling with a collapse in the domestic and Asian truck markets, said it aimed to cut net debt from Y1,000bn to Y700bn (£3.6bn) by March 2001. It would achieve this by selling Y100bn worth of assets, including property, and cutting back inventories.

Stocks of large trucks would be cut from five months to 2.5 months by March 2000, and those of small trucks from four months to 2.3 months. The group will also benefit from a Y52.5bn capital injection through the share issue to GM.

The group also plans to improve cash flow by restructuring the domestic distribution system, which Kazuhira Seki, chairman and chief executive, has admitted is the group's "weakest point".

Kazuhira Seki says domestic distribution is group's 'weakest point'

The large truck and small truck sales subsidiaries would be merged. The marketing subsidiaries, currently at least one in each prefecture, would be cut from 68 to 30 and reorganised on a regional basis by March 2001. About 70 per cent of these were operating at a loss, said the company. The payroll in the subsidiaries, currently 14,000, would be cut by 1,300.

Overall group staffing would be cut from 40,000 to 36,000, but no time limit was given. The reductions would be achieved through early retirement and reducing the number of temporary staff. A new pay system for managers would be introduced, linked to performance.

The cost base would be cut by moving more production of pick-up trucks from Japan to Thailand, probably within three years and starting with the next model. Pick-ups made in Thailand would start being exported to markets such as Australia during 1999.

Isuzu, which incurred a Y5.24bn pre-tax loss in the first half, on sales of Y467bn, said it planned to return to the black for the year ending March 2000 with pre-tax profits of Y10bn on turnover of Y710bn. The interim dividend was omitted.

The group has Y37bn of bonds maturing this financial year and a further Y30bn due in 2000.

Queensborough has time to buy

By Jonathan Ford

City Centre Restaurants has given Queensborough Holdings more time to complete the delayed purchase of its 46 Deep Pan Pizza outlets for £9.75m.

Queensborough, the leisure group that owns Cheddar Gorge, announced in September it would buy the outlets, which it plans to convert into a high street chain of Italian trattorias.

However, Queensborough has lacked the funds to complete the deal because of the late completion of the £12.7m sale and leaseback of its 481 room hotel in Folkestone.

City Centre has extended the deadline for the Deep Pan deal until 13 January.

In October, Queensborough's shareholders approved both the purchase of the Deep Pan business and the sale and leaseback.

City Centre, which also owns the Garfunkel's and Caffe Uno chains, decided to scrap the lossmaking Deep Pan business last year.

The group lost £4m in the first half because of a £10.4m provision following its decision to wind up the chain, some of whose outlets it has retained and rebranded.

Queensborough plans to use the outlets as the basis of a new chain, to be called Fresco. The purchase would be its second deal in the sector since recruiting Michael Guthrie, former chairman of the Brightreasons restaurant group, last year. Mr Guthrie, who was given a remit to build a restaurant business, has negotiated a deal with Brinker of the US for the UK roll-out of Romano's Macaroni Grill, a mass-market Italian chain.

ASW to buy Co-Steel Sheerness for £40m

By Maggie Urry

ASW, the Cardiff steelmaker, is to acquire Co-Steel Sheerness for £40m through a complex deal which could give Candover Investments, the buy-out specialist, a more than 50 per cent stake in the enlarged company.

Gordon Duncan, chairman of ASW, said the deal would make the company one of the lowest-cost steel producers in Europe.

It would, he hoped, allow the group to remain in the black even through troughs in the steel cycle.

The combination of the plants in Cardiff and Sheerness – on the Isle of Sheppey in Kent – both currently loss-making, would enable production at each site to be specialised.

This would allow longer runs and less downtime, bringing production efficiencies and cost savings which one industry observer suggested could reach £24m a year.

Mr Duncan said he expected benefits to start flowing from the merger in the second half of 1999, and the full gains to emerge in 2000, perhaps coinciding with an upturn in the steel industry.

However, some redundancies from the group's total workforce of 2,750 in Cardiff, Sheerness and France, were inevitable, he said.

As part of the deal, Alain Soulas, chief executive of ASW, is leaving, and will receive compensation of £490,000. Graham Mackenzie, former chief executive of United Engineering Steels, will replace him. ASW is also recapitalising its French subsidiary.

ASW shares were suspended on December 21 at 18½p when rumours of the deal circulated.

The deal involves ASW issuing 121.8m new shares through an open offer, at 14p a share, to raise £17m before costs. Existing holders can buy these shares on the basis of 73 new shares for every 50 held. The offer is being underwritten by Albert E Sharp, the brokers, and Candover.

Further cash will be raised by Candover subscribing £29m for convertible loan notes, which it can exchange for shares at 21p. Candover will have an effective equity stake of between 34 and 54 per cent depending on the take up of the open offer. Its total investment could reach £43m.

ASW will then pay Co-Steel of Canada by issuing to it £12m worth of shares, at 18½p each, a £4m junior loan note, and by paying £16.5m in cash and assuming £7.5m of debt.

ASW will also inject £14.5m into Sam, the French subsidiary, acquired from Usinor, the French steel group, in 1994. Usinor retains a minority stake and has agreed to waive £22m of deferred consideration.

Since the nominal value of ASW's shares at 25p is higher than the issue price, ASW is restructuring its share capital to bring the par value down to 5p.

Shareholder approval of the deal will be sought at a special meeting on January 19, and if agreed the shares are due to trade again on January 25.

ASW is advised by KPMG Corporate Finance.

CROSS-BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
AMP (Australia)	NPI (UK)	Insurance	$8.2m	Total value $4.5bn
Fairchild Semiconductor (US)	Unit of Samsung (S Kor)	Electronics	$455m	Samsung refocus
SCA (Sweden)	Unit of Rexam (UK)	Packaging	$322m	Non-core disposal
CRH (Ireland)	Ibstock (UK)	Building matrls	$273m	Swoop for control
Gevaert (Belguim)	Philipp Holzmann (Germ)	Building	$233m	Initial 30% plans
Chubb (US)	Hiscox (US)	Insurance	$144m	Lloyd's reshaping
Aggregate Industries (UK)	Bill Smith (US)	Building matrls	$59m	Bolt-on base
ST Microelectronics (France)	Vision (UK)	Electronics	$38m	All-cash deal
Swiss Re (Switz)	Fox-Pitt, Kelton (UK)	Banking	n/a	Specialist move
Deutsche Bank (Germany)	EFG Eurobank (Greece)	Banking	n/a	Strategic stake

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Thursday, December 24, 1998. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7951.49	4750.00	2826.88	4091.12
Albania	(Lek)	231.682	138.400	82.3687	119.202
Algeria	(Dinar)	101.329	60.5300	36.0244	52.1338
Andorra	(French Fr)	9.4230	5.6290	3.3501	4.8482
	(Sp Peseta)	239.382	143.000	85.1064	123.164
Angola	(Readj Kwanza)	430432.8	257125.0	153025.1	221461.6
Antigua	(E Carib $)	4.5198	2.7000	1.6069	2.3255
Argentina	(Peso)	1.6727	0.9992	0.5947	0.8606
Armenia	(Dram)	852.702	509.380	303.148	438.724
Aruba	(Florin)	2.9965	1.7900	1.0653	1.5417
Australia	(Aus $)	2.7443	1.6393	0.9757	1.4119
Austria	(Schilling)	19.7883	11.8210	7.0353	10.1813
Azerbaijan	(Manat)	6612.300	3950.00	2350.77	3402.09
Azores	(Port Escudo)	288.397	172.280	102.532	148.383
Bahamas	(Bahama $)	1.6740	1	0.5951	0.8613
Bahrain	(Dinar)	0.6311	0.3770	0.2244	0.3247
Balearic Is	(Sp Peseta)	239.382	143.000	85.1064	123.164
Bangladesh	(Taka)	81.1891	48.5000	28.8648	41.7725
Barbados	(Barb $)	3.3668	2.0113	1.1970	1.7323
Belarus	(Rouble)	364094.70	217500.0	129441.2	187330.4
Belgium	(Belg Fr)	58.0795	34.6950	20.6487	29.8824
Belize	(B $)	3.3480	2.0000	1.1903	1.7226
Benin	(CFA Fr)	942.300	562.900	335.010	484.820
Bermuda	(Bermudan $)	1.6740	1	0.5951	0.8613
Bhutan	(Ngultrum)	71.1934	42.5325	25.3132	36.6328
Bolivia	(Boliviano)	9.4581	5.6500	3.3626	4.8663
Botswana	(Pula)	7.5034	4.4823	2.6676	3.8606
Brazil	(Real)	2.0213	1.2075	0.7186	1.0400
Brunei	(Brunei $)	2.7705	1.6550	0.9850	1.4254
Bulgaria	(Lev)	2799.82	1672.53	995.405	1440.53
Burkina Faso	(CFA Fr)	942.300	562.900	335.010	484.820
Burma	(Kyat)	10.4654	6.2517	3.7206	5.3845
Burundi	(Burundi Fr)	838.579	500.938	298.133	431.453
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NETHERLANDS ACTIVITIES TO BE MERGED

Pension funds in deal to control NIB

By Gordon Cramb in Amsterdam

The two largest Dutch pension funds are to take control of National Investment Bank (NIB) of the Netherlands, in a deal valuing the former state financing vehicle for industry at well over Fl 3.5bn ($1.85bn).

ABP, which with assets of Fl 270bn is the world's second biggest pension fund, and PGGM, just under a third of its size, said on Christmas Eve they had won the backing of the bank's directors and the government for a bid.

The initiative reflects a search by European pension institutions for ways to improve their returns. Monetary union has driven bond yields lower and global economic uncertainties are clouding the outlook for equity investments.

In a sign of further convergence among different types of financial services business, the three Dutch partners are to merge their activities in private equity, structured finance, and mortgage and loan portfolio management.

ABP and PGGM, which ensure retirement provisions for public sector and health and welfare workers respectively, are offering Fl 66 for each Amsterdam quoted A share in NIB. The state, while selling its 35 per cent stake of A shares, is to retain 15 per cent of voting rights in the company through a holding of preference shares.

But ING, NIB's second largest shareholder with 20 per cent, did not immediately respond to the proposed offer. ASR, an insurer, said it wanted to retain its 6.2 per cent.

The position of these and other minority holders may make the coming weeks tricky for the two pension funds, which together have just 4 per cent of NIB.

The A shares jumped nearly 29 per cent on Thursday to enter the holiday period at Fl 63.10. The offer price is below the Fl 73.80 at which they peaked in late July, since when the market value of NIB halved as financial stocks came under pressure.

NIB more than trebled its addition to first-half bad debt provisions because of an exposure to south-east Asia. But the five worst-hit economies in that region account for less than 5 per cent of its worldwide exposure, although it has recently been according foreign markets more than half of its new fund commitments.

Its ratio of core capital to its Fl 24.9bn assets is 10.2 per cent. But the bid prompted Standard & Poor's, the credit rating agency, to place its AA plus ratings for NIB under review with negative implications.

NIB – which employs fewer than 500 staff – improved first-half net profits 21 per cent to Fl 151.4m. Full-year 1997 earnings were Fl 221.6m, or Fl 3.63 per A share as adjusted for a stock split. Next month the bank is to convert the par value of these from Fl 2 into €1.

When announced in February, that plan was the first by a Dutch listed company to use the single currency as the denomination for its nominal capital.

ABP and PGGM said the bank, for which they will now undertake due diligence procedures, had shifted away from being a financier in its own right to arranging funding packages involving others in the private sector.

ABP and PGGM are being advised by J.P. Morgan, with Warburg Dillon Read advising NIB and Morgan Stanley Dean Witter acting for the state.

Vosper acquires instruments maker

By Maggie Urry

Vosper Thornycroft Holdings, the shipbuilder, is paying £11m ($18.5m) for TSS (UK), an Oxfordshire-based maker of electronic instruments for the marine survey market. Vosper's shares were unchanged last Thursday at 770p.

Martin Jay, chief executive of Vosper, said the deal was in line with the strategy reiterated in November of diversifying away from shipbuilding and into support services. Earlier this month Vosper acquired the marine products business of Brisco.

When half-year results were announced in November, they showed 43 per cent of turnover coming from support services, up from 25 per cent a year earlier. However, margins are lower than from shipbuilding.

Mr Jay said then that prices for businesses in that sector were coming under pressure and attractive opportunities were appearing. Announcing the deal on Christmas Eve he said: "The addition of TSS's product portfolio continues the move by VT Marine Products towards higher value added product areas." He added that TSS had an "impressive track record" and a strong market position.

TSS specialises in motion sensors, and sub-sea pipe and cable detection systems. It sells to government departments and to the offshore and telecoms industries. It is privately owned and the vendors are taking loan notes rather than cash.

CBOT link with Eurex delayed to 2000

By Nikki Tait in Chicago

The launch of the planned alliance between the Chicago Board of Trade, the largest US futures market, and the German-Swiss Eurex market, its biggest counterpart in Europe, will be delayed until March 2000.

However, shortly before the Christmas break, the board of the CBOT continued to express support for the partnership, which is due to see the two exchanges distribute each other's products and collaborate on developing a common electronic trading platform. They agreed to put the matter to a vote of its membership on January 27.

The move comes amid much uncertainty, on the US end, over the future of the alliance. The CBOT membership this month elected David Brennan as chairman.

In his election campaign, Mr Brennan expressed reservations over the deal with Eurex, although he also conceded that there were some good elements to the planned partnership.

This ambivalence echoes feelings expressed by many traders on the Chicago floor, and contrasts with the more enthusiastic stance taken by Pat Arbor, the outgoing chairman.

The board vote, taken last week, precedes the changeover in directors as a result of the recent elections, which will only take effect on January 4. In a statement afterwards, Mr Brennan said he would have preferred to have the matter deferred until the new directors took over but would "respect the will of the board".

The chairman-elect added that, in light of the latest decision, he would "present the issues to the membership in a fair and objective manner". If the membership backed the alliance, which is far from certain, he would give it his "full support".

Mr Brennan also said he viewed the decision to delay the launch of the alliance, assuming it gets membership support, until March as helpful. It would give members an opportunity to "fully understand" the partnership.

Many of the reservations of the Chicago trading community have centred on the cost of the deal; the benefits of using Eurex's technology as the basis for the electronic platform; the way development work would be handled; and how access to the electronic platform would be monitored.

The alliance was announced as an agreement in principle last March, and the initial plan was to have the common electronic platform effective by mid-1999.

GOVERNMENT BONDS FINAL FLURRY SEEN IN EUROPEAN CONVERGENCE RALLY

BTP yields dip below those of bunds

By Arkady Ostrowsky

Last week the yield on the Italian 10-year benchmark bond dipped for the first time below the 10-year German bund, in what looked to have been the final – and most surprising – flurry of the European convergence rally.

This happened in a very thin market when most investors had closed their positions ahead of the launch of the euro in January. Analysts say the rally had also been exaggerated by the lack of supply and high demand for this particular Italian benchmark.

All the same, the trend is clear – credit spreads between euro-zone countries are getting tighter despite the differences in their credit ratings. Earlier this month, the yield on a two-year Spanish bond fell below the German two-year bond.

Only two years ago Italian bonds traded at 200 basis points over German bunds – down from 500 basis points in the early 1990s – but since the beginning of the convergence process spreads between Italian and German bond yields had fallen to single digits.

Economists fear the market has overshot in the euphoria surrounding convergence towards EMU and that a correction is inevitable as worries grow over the high levels of public debt in some euro-zone countries.

However, the consensus is that spreads are unlikely to widen dramatically in the near future – perhaps to a maximum of about 20 basis points over German bunds.

Yet both Italy and Spain have a lower credit rating than Germany. Italy's public debt, at almost 120 per cent of gross domestic product, is almost double the level of Germany's but analysts say credit ratings are no longer the biggest factor in determining spreads between the bond yields in the 11 euro-zone countries.

Phyllis Reed at Barclays Capital says spreads have traditionally been influenced by four factors: inflation expectations, currency volatility, credit-standing and liquidity. The forthcoming launch of the euro has already removed the first two factors: investors will no longer face currency risk and inflation is falling steadily across the euro-zone. But of the remaining two factors it is the liquidity of individual bonds more than credit-worthiness that determines overall yields.

This explains why investors are prepared to pay a premium for German 10-year bunds, one of the most liquid in Europe, over their Dutch equivalents, in spite of both countries having the same credit rating.

Smaller countries that have traditionally relied on domestic investors are likely to see an outflow of capital from their bond markets as domestic investors switch into other, more liquid markets, according to Danyelle Guyatt at Deutsche Bank.

"Those bond markets with the highest concentration of domestic investor bias, such as Belgium, Austria and the Netherlands, are the most vulnerable to capital outflow," she says.

Research by Deutsche Bank shows domestic holders account for 94 per cent of the bond market in Belgium, compared with 52 per cent in Germany.

"The market is more focused on liquidity than on credit-worthiness of individual countries," says Jeremy Hawkins, a senior analyst at the Bank of America.

Theoretically, the launch of the euro should increase the risk of default since none of the member states will have access to the printing press, the ultimate defence against default. The European Central Bank is supposed to be completely independent and has pledged not to bail out individual states in danger of a default.

However, few in the market believe the official Frankfurt line and investors are convinced that should any country signal a danger of default the ECB would come to its rescue.

"The market assumes that chances of default are close to zero," says Mrs Reed.

This position is clearly not shared by credit rating agencies. Earlier this month Fitch IBCA, one of the three leading agencies, downgraded Belgium from AA+ to AA–, reflecting concern about the country's high level of debt.

Some economists say spreads still do not reflect the risks and that the euphoria of Emu convergence has distorted the market.

"If it were not for Emu, Italy would not be trading below Germany," says Mr Hawkins. The convergence of the yield curves in the euro-zone countries clearly favours lower-rated countries, reducing the cost of Italian debt and increasing that of Germany.

"When bad news came out of Italy it used to mean good news for Germany as investors sold their lira holdings and moved into the D-Mark zone," says Mr Hawkins. "But this rule no longer applies."

As the 11 countries enter into the single currency and a pan-European yield curve emerges, what will matter more is also how much weight the market is likely to attach to individual markets, and what effect, say, unemployment figures from Italy will have, for example, on the price of Dutch bonds.

Murdoch moves closer to deal on Italian pay-TV

By Paul Betts in Milan

Rupert Murdoch: considers soccer rights essential

Rupert Murdoch has come significantly closer in fulfilling his ambition to penetrate the Italian pay-TV market with a preliminary agreement to acquire from Telecom Italia up to 80 per cent of Stream, the privatised telecommunications group's multimedia and digital television subsidiary.

But the final deal could still fall through should Mr Murdoch fail to secure the long-term pay-TV rights for Italian professional soccer.

After weeks of negotiations, on Christmas Eve Mr Murdoch's News Corporation signed a preliminary agreement with Telecom Italia to acquire for about L200bn ($121m), the majority of the Stream digital TV venture.

Mr Murdoch is initially expected to keep a 70 per cent stake in Stream after shedding 10 per cent to TF1, the French TV network controlled by the Bouygues construction and media group.

He is also planning to shed a further 20 to 25 per cent to new Italian partners to ensure a significant Italian presence in the venture to abate concern over his entry into the Italian TV market.

Rizzoli, the publishing group led by Cesare Romiti, the former Fiat chairman, is expected to be a prime candidate to buy a stake.

News Corp and Telecom Italia said they intended to develop "a pay TV venture of significant interest to the market including the airing of Italian soccer championship matches".

Mr Murdoch has already indicated he is prepared to bid L4,200bn to secure pay-TV rights for all Italian league division A and B matches for the next five seasons.

However, Telepiù, the rival Italian pay-TV network controlled by Canal Plus of France, has already negotiated long-term pay-TV rights with seven leading Italian soccer clubs. The question is whether Mr Murdoch will be able to persuade these clubs to reconsider these agreements or be satisfied with the rights for only some rather than all Italian league games.

Mr Murdoch has made it clear he considers soccer rights essential to make a pay-TV venture viable.

The Italian government is also planning legislation to prevent a single operator monopolising the rights to what is considered the most lucrative and most popular professional soccer championship in the world.

Mr Murdoch is also in advance negotiations to join Mr Berlusconi and Sheikh Al Waleed, the Saudi financier, to form a TV partnership with Germany's Kirsch broadcasting group.

The agreement with News Corp is the first significant decision taken by Franco Bernabe, Telecom Italia's new chief executive, appointed last month to restore credibility to the privatised telecoms group after months of top management turmoil.

Stream lost L194bn last year and L134bn in the first six months of 1998.

Consortium buys rest of Retevisión

By Tom Burns in Madrid and Clay Harris in London

A consortium led by Telecom Italia has acquired full ownership of Retevisión, which launched Spain's second fixed telephony service at the beginning of the year. It paid the Spanish government Pta123.3bn ($866m) for the 30 per cent of the carrier it did not own.

The price implies a valuation of Pta411bn for Retevisión against Pta258.6bn in July 1997 when the consortium acquired its initial 70 per cent stake.

The government was advised on the sale by Dresdner Kleinwort Benson. The deal was one of six acquisitions, totalling nearly $7bn in value, on which DrKB advised last week.

The disposal of the state's remaining equity in Retevisión completes the privatisation of Spain's telecommunications industry, which was formally deregulated at the beginning of December when Uni2, a third fixed-line carrier controlled by France Telecom introduced a long distance call service.

Under the open market guidelines, more than 20 niche telephony providers have applied for licences to the Telecommunications Market Commission (CMT), the newly created regulator which supervises the sector.

Retevisión is due to launch a mobile service next month and will become the first carrier to compete with Telefónica, the former monopoly that was privatised in February 1997, as a global operator.

For DrKB, Retevisión capped a hectic week of advice on mergers and acquisitions deals, which could help the German-owned investment bank to boost its rankings in 1998 league tables.

In 1997, DrKB was placed only 20th worldwide in the tables compiled by IFR Securities Data.

Its largest recent M&A deal was advising National Provident Institution, the UK mutual life insurer, which agreed to a £2.7bn ($4.5bn) takeover offer from Australia's AMP. Eight out of DrKB's 11 latest M&A deals were cross-border.

EMERGING MARKETS ROLLER-COASTER RIDE FOR EQUITIES SET TO CONTINUE

HK faces more of the same

By Louise Lucas in Hong Kong

As Hong Kong emerges from a roller-coaster year – even by its own volatile standards – only one prediction seems safe for 1999: more of the same.

From a high for the year of 11,810.63 on March 25 to a low of 6,660.41 in mid-August, Hong Kong's benchmark Hang Seng index has been through the wringer. The market itself has slipped in the global rankings, from sixth at the peak of the bull market in 1997 to 11th.

It has witnessed an exodus of foreign investors, and the arrival of a new investor in the form of the Hong Kong government, which now holds an estimated 15 per cent of the free float of Hang Seng constituent stocks.

Typically, it has not been rational: the Hang Seng index closed on Christmas Eve at 10,292.20, just 4 per cent lower than last year's close despite worsening fundamentals. The economy has contracted by an estimated 5 per cent in 1998, the worst recession in decades, and inflation turned negative in November for the first time since 1975.

Property, a pillar of the economy and one that dominates the stock market, continued to suffer. Prices are some 55 per cent lower than at their peak in 1997. Rising unemployment and a trend towards cutting pay and bonuses mean home buyers are likely to postpone purchases in the near term.

The combination of asset deflation and higher funding costs took its toll on corporate earnings, which fell sharply from 1997 levels. For some companies, including Cathay Pacific, the de facto flag carrier, and Dickson Concepts, the luxury retail group whose portfolio includes Harvey Nichols of London, 1998 brought unprecedented losses.

At the stock market's lowest point, investors factored in speculative attacks on the currency; high interest rates and a credit squeeze that hampered corporate funding; plunging property prices, which forced developers to book substantial provisions in their earnings; and the deceleration in economic growth in mainland China.

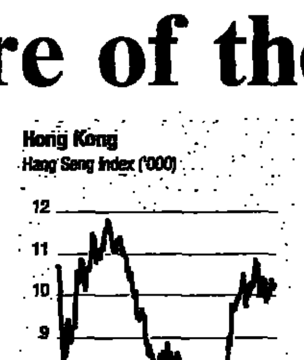
In August, the currency sustained a concerted attack. Interest rates shot up, consumer confidence melted, and the Hang Sang Index lost almost half its value in less than three months.

Speculators had been engaging in a "double play" – attacking the currency and profiting from subsequent falls on the stock market through futures contracts.

To frustrate these tactics and defend the currency, the government began a HK$118bn share buying binge – propping up prices and turning speculators' positions into losses.

But the intervention had a price. Foreign fund managers saw the move as a backtracking on free market principles, and fled.

Once the government ended its two-week buying spree, share prices began to plummet. Its sizeable portfolio cast a cloud over the market, as investors anticipated a sell-off that would hammer prices. However, the government stressed its intention to hold the stocks for the long term, and to ensure any sales were made in an orderly way that would not upset market stability.



Recently, the body holding the government's shares said it would take a less passive stance and would exercise its voting rights in certain instances. While this gives rise to potential conflicts of interest, it also suggests a longer-term approach to the holdings.

Even so, the portfolio – valued in excess of HK$150m – will remain a focus of trading in the new year and any big sales stand to trigger a wider sell-off.

Investors will also be watching individual sectors, such as property, for signs of any pick-up. Banks will come under scrutiny: earnings broadly fell last year, while bad debts rose. Non-performing loans are expected to increase, but should remain far below the levels seen in other south-east Asian countries.

On the economic front, little cheer is expected, with forecasts ranging from flat GDP growth to a further contraction of up to 4 per cent. This will mean more unemployment and wage cuts as companies struggle to reduce costs, which in turn will keep consumer sentiment depressed and bring scant relief for the ailing property and retail sectors.

Corporate earnings are forecast to rise only modestly, as real interest rates – recent cuts notwithstanding – climb with deflation. They are now at a 15-year high.

Merrill Lynch, which is forecasting 11,000 for the Hang Seng Index at the end of 1999, advises sticking with quality blue-chips, which are most able to take opportunities to acquire assets and build market share at the bottom of the cycle.

However, a key driver of any upturn will be liquidity, as in previous Hong Kong rallies. This is the wild card that could be Asia's saviour as returns in the west modify and other emerging markets look fragile.

Goldman Sachs says Hong Kong will benefit from what it forecasts will be a return of capital flows to Asia.

"Hong Kong should be a primary beneficiary given its critical mass of well-managed investable companies and relatively high levels of liquidity," the US investment bank said in a report.

CURRENCIES & MONEY

Dollar firmer

MARKETS REPORT

By Christopher Adams

Position-squaring ahead of the Christmas holiday period and renewed concern over the plight of the Japanese financial system helped lift the dollar against the yen on Thursday.

Standard & Poor's has lowered the ratings for seven large Japanese banks.

The banks are Dai-Ichi Kangyo Bank, Industrial Bank of Japan, Sakura Bank, Daiwa Bank, Sanwa Bank, Sumitomo Bank and Tokai Bank.

The decision by S&P to assign the banks negative outlooks, after having placed them on CreditWatch, contributed to falls in Tokyo stocks that helped undermine the yen.

By the close of trading in London, the dollar had risen from Y115.9 to Y116.1 against the yen.

Heavy selling of Japanese government bonds added to the pressure on the yen, although the currency later recovered with a rebound in Tokyo stock prices.

The yen is likely to slide further following another set of dismal economic statistics over the weekend.

Japanese unemployment rose to 4.4 per cent in November, the highest level since records began 46 years ago.

A government agency added to the gloom by saying the economy was in the grip of a deflationary spiral. Industrial production fell by 2 per cent in November from the previous month.

Taichi Sakaiya, economic planning agency minister, said things could get worse. "It is likely that a meltdown in the lifetime employment system is going to start."

■ **POUND IN NEW YORK**

Dec 24	— Close —	— Prev. close —
£ spot	1.6725	1.6775
1 mth	1.6713	1.6765
3 mth	1.6689	1.6725
1 yr	1.6669	1.6700

■ Evidence of weak US consumer spending prevented further gains for the dollar.

Official data showed shoppers spent cautiously in November, with total spending rising by only 0.1 per cent. Slower sales of new cars accounted for some of the weakness.

Concern that US consumption, the engine of growth for a flagging global economy, may be about to retrench could be overdone though. Incomes rose strongly and new jobless claims fell to their lowest level since July last year.

Moreover, upward revisions to previous estimates of consumer spending prompted some analysts to suggest the US economy could grow at a faster rate in the fourth quarter than it did in the third.

■ Speculation that the European Central Bank could cut interest rates early in the new year, after a co-ordinated round of monetary easing earlier this month by EU countries participating in monetary union, has eased further.

An interview with Hans Tietmeyer, president of Germany's Bundesbank, showed he was against rates being lowered for now.

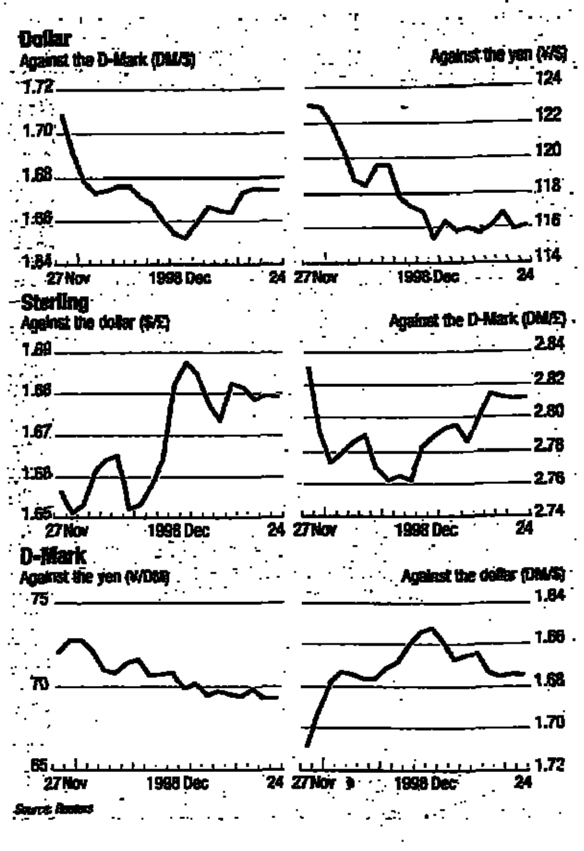
"An excessively low interest rate can be just as problematic as an excessively high one," he told Der Spiegel. "Our present interest rates are appropriate for the situation in Europe."

Mr Tietmeyer's view echoes that of Wim Duisenberg, president of the ECB, who last week held back from signalling further cuts.

Italy today implements a cut in its official discount rate from 3.5 per cent to 3 per cent, bringing it in line with all other 11 countries planning to join the European single currency on January 1.

Italy was the only one of the participating countries not to cut to the 3 per cent starting rate earlier in December.

The central bank's Lombard rate remains at 4.5 per cent. The reduction in the discount rate is the tenth cut since July 1995 when official rates were 9 per cent.



POUND SPOT FORWARD AGAINST THE POUND

Dec 24		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.7883	+0.0147	790 - 976	19.8115	19.7245	19.7375	3.1	19.6529	2.7	19.3895	2.0	103.4
Belgium	(BFr)	58.0795	+0.1139	370 - 219	58.1550	57.8200	57.9275	3.1	57.6684	2.8	56.8074	2.2	103.4
Denmark	(DKr)	10.7022	+0.0107	973 - 071	10.7150	10.6678	10.6815	2.3	10.6509	1.9	10.5451	1.5	107.3
Finland	(FM)	8.5517	+0.0071	466 - 567	8.5590	8.5240	8.5283	3.3	8.4905	2.9	8.3677	2.2	82.8
France	(FFr)	9.4230	+0.0013	176 - 283	9.4443	9.3933	9.3976	3.2	9.3542	2.9	9.2127	2.2	106.9
Germany	(DM)	2.8128	+0.0023	115 - 140	2.8172	2.8029	2.8053	3.2	2.7925	2.9	2.7497	2.2	104.9
Greece	(Dr)	471.373	-0.536	040 - 707	472.409	470.082	473.383	-5.1	477.194	-4.9	492.805	-4.5	62.2
Ireland	(I£)	1.1324	+0.0007	313 - 335	1.1343	1.1287	1.1295	3.1	1.1243	2.9	1.1079	2.2	95.2
Italy	(L)	2785.29	+2.09	403 - 654	2788.84	2776.18	2777.36	3.4	2764.68	3.0	2723.76	2.2	76.2
Luxembourg	(LFr)	58.0795	+0.1139	370 - 219	58.1550	57.8200	57.9275	3.1	57.6664	2.8	56.8074	2.2	103.4
Netherlands	(Fl)	3.1700	+0.0028	686 - 713	3.1736	3.1598	3.1614	3.3	3.1469	2.9	3.0989	2.2	103.0
Norway	(NKr)	12.7634	-0.0898	579 - 689	12.8899	12.6862	12.7873	-2.2	12.8266	-2.0	12.9206	-1.2	91.8
Portugal	(Es)	288.397	+0.231	227 - 567	288.882	287.538	287.655	3.1	286.407	2.8	282.085	2.2	92.8
Spain	(Pta)	239.382	+0.335	227 - 537	239.810	238.610	238.786	3.1	237.708	2.8	234.111	2.2	77.4
Sweden	(SKr)	13.4672	-0.0195	548 - 796	13.5273	13.4387	13.4321	3.1	13.3773	2.7	13.2124	1.9	79.6
Switzerland	(SFr)	2.2976	+0.0097	960 - 991	2.2998	2.2829	2.2881	5.0	2.2714	4.6	2.2125	3.7	108.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	100.8
Ecu	-	1.4323	+0.0014	316 - 330	1.4331	1.4281	1.4284	3.3	1.4217	3.0	1.3993	2.3	-
SDR†	-	1.19340	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6727	-0.0047	722 - 732	1.6770	1.6707	-	-	-	-	-	-	-
Brazil	(R$)	2.0213	-0.0057	206 - 220	2.0266	2.0191	-	-	-	-	-	-	-
Canada	(C$)	2.5943	-0.0136	931 - 955	2.6012	2.5930	2.5914	1.4	2.5869	1.1	2.5798	0.6	75.2
Mexico	(New Peso)	16.5391	+0.0962	258 - 524	16.5954	16.4741	16.9543	-30.1	17.6097	-25.9	20.7376	-25.4	-
USA	($)	1.6740	-0.0047	735 - 745	1.6785	1.6721	1.6728	0.8	1.6703	0.9	1.6683	0.3	105.2
Pacific/Middle East/Africa													
Australia	(A$)	2.7443	+0.0038	412 - 473	2.7559	2.7294	2.7404	1.7	2.7348	1.4	2.7247	0.7	76.5
Hong Kong	(HK$)	12.9669	-0.033	613 - 724	12.9983	12.9529	12.9582	0.8	12.9495	0.5	13.1317	-1.3	-
India	(Rs)	71.1994	-0.2058	698 - 290	71.3570	71.1090	71.4578	-4.4	72.1111	-5.1	76.7858	-7.8	-
Indonesia	(Rupiah)	13140.95	+131	963 - 226	13318.10	12920.60	13525.06	-35.1	14064.47	-28.1	16039.69	-22.5	-
Israel	(Shk)	7.0068	-0.0188	966 - 170	7.0189	6.9912	-	-	-	-	-	-	-
Japan	(Y)	194.360	-0.277	260 - 460	195.140	193.080	193.325	6.4	191.495	5.9	184.745	4.9	130.9
Malaysia	(M$)	6.3614	-0.0176	614 - 614	6.3745	6.3590	-	-	-	-	-	-	-
New Zealand	(NZ$)	3.2008	-0.0019	968 - 048	3.2218	3.1897	3.1957	1.9	3.1892	1.4	3.1915	0.3	89.1
Philippines	(Peso)	65.2861	-0.2672	155 - 567	65.5627	65.0097	65.8812	-10.9	66.8392	-9.5	71.3224	-9.2	-
Saudi Arabia	(SR)	6.2792	-0.0176	765 - 819	6.2952	6.2725	6.2838	-0.9	6.2936	-0.9	6.349	-1.1	-
Singapore	(S$)	2.7705	-0.0061	671 - 738	2.7815	2.7684	2.7591	5.0	2.7426	4.0	2.7053	2.4	-
South Africa	(R)	9.9021	-0.0531	912 - 130	9.9283	9.8888	9.9899	-10.6	10.157	-10.3	11.0032	-11.1	-
South Korea	(Won)	2021.02	-4.33	841 - 363	2025.10	2015.73	-	-	-	-	-	-	-
Taiwan	(T$)	53.9790	-0.1574	587 - 993	54.1266	53.9219	53.8834	2.1	53.8529	0.9	54.2557	-0.5	-
Thailand	(Bt)	60.8500	-0.2212	644 - 355	61.1340	60.6540	60.8584	-0.2	60.9011	-0.3	62.3985	-2.5	-

† Rates for Dec 23. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. The exchange rates printed in this table are also available on the internet at http://www.FT.com.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 24		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	11.8210	+0.0419	190 - 230	11.8360	11.7880	11.7988	2.3	11.7658	1.9	11.622	1.7	103.3
Belgium	(BFr)	34.6950	+0.165	800 - 100	34.7100	34.5700	34.628	2.3	34.5235	2.0	34.05	1.9	103.5
Denmark	(DKr)	6.3932	+0.0243	922 - 942	6.4043	6.3637	6.3853	1.5	6.3765	1.0	6.3207	1.1	106.6
Finland	(FM)	5.1085	+0.0185	070 - 100	5.1159	5.0872	5.0981	2.5	5.083	2.0	5.0155	1.8	82.2
France	(FFr)	5.6290	+0.0166	275 - 305	5.6390	5.6119	5.6177	2.4	5.6	2.1	5.522	1.9	106.5
Germany	(DM)	1.6803	+0.0061	800 - 805	1.6832	1.6727	1.6789	2.4	1.6717	2.0	1.6482	1.9	104.6
Greece	(Dr)	281.585	+0.475	470 - 700	282.440	280.890	282.98	-5.9	285.685	-5.8	295.395	-4.9	61.7
Ireland	(I£)	1.4783	-0.0051	773 - 793	1.4850	1.4757	1.4811	-2.3	1.4857	-2.0	1.5059	-1.9	-
Italy	(L)	1663.85	+5.9	360 - 410	1666.60	1658.20	1660.25	2.6	1655.15	2.1	1632.6	1.9	76.0
Luxembourg	(LFr)	34.6950	+0.165	800 - 100	34.7100	34.5700	34.628	2.3	34.5235	2.0	34.05	1.9	103.5
Netherlands	(Fl)	1.8937	+0.007	934 - 939	1.8960	1.8852	1.8899	2.4	1.884	2.0	1.8575	1.9	102.8
Norway	(NKr)	7.6245	-0.0321	235 - 255	7.6870	7.5846	7.644	-3.1	7.679	-2.9	7.7445	-1.6	89.6
Portugal	(Es)	172.280	+0.62	230 - 330	172.490	171.520	171.955	2.3	171.465	1.9	169.08	1.9	93.1
Spain	(Pta)	143.000	+0.6	950 - 050	143.160	142.490	142.73	2.3	142.31	1.9	140.325	1.9	77.2
Sweden	(SKr)	8.0449	+0.0109	399 - 499	8.0682	8.0210	8.0295	2.3	8.0086	1.8	7.9194	1.6	79.6
Switzerland	(SFr)	1.3725	+0.0098	720 - 730	1.3749	1.3625	1.3678	4.2	1.3598	3.7	1.3261	3.4	108.8
UK	(£)	1.6740	-0.0047	735 - 745	1.6785	1.6721	1.6728	0.8	1.6703	0.9	1.6683	0.3	100.6
Ecu	-	1.1688	-0.0045	685 - 690	1.1716	1.1675	1.1713	-2.6	1.175	-2.1	1.1923	-2.0	-
SDR†	-	0.71215	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9992	-	992 - 992	0.9992	0.9992	-	-	-	-	-	-	-
Brazil	(R$)	1.2075	-	074 - 075	-	-	-	-	-	-	-	-	-
Canada	(C$)	1.5498	-0.0037	495 - 500	1.5525	1.5490	1.5491	0.5	1.5488	0.3	1.5464	0.2	74.7
Mexico	(New Peso)	9.8800	+0.085	750 - 850	9.9050	9.8750	10.135	-31.0	10.5425	-26.8	12.43	-25.8	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	108.8
Pacific/Middle East/Africa													
Australia	(A$)	1.6393	+0.0068	380 - 407	1.6428	1.6313	1.6385	0.6	1.6369	0.6	1.6252	0.9	78.7
Hong Kong	(HK$)	7.7460	+0.002	450 - 470	7.7470	7.7445	7.7462	0.0	7.7525	-0.3	7.871	-1.6	-
India	(Rs)	42.5325	-0.0035	275 - 375	42.5380	42.5220	42.7163	-5.2	43.1713	-6.0	46.025	-8.2	-
Indonesia	(Rupiah)	7850.00	+100	000 - 000	7950.00	7700.00	8085	-35.9	8420	-29.0	9850	-22.9	-
Israel	(Shk)	4.1857	+0.0006	808 - 905	4.1907	4.1776	-	-	-	-	-	-	-
Japan	(Y)	116.105	+0.16	080 - 130	116.550	115.090	115.57	5.5	114.645	5.0	110.735	4.6	132.2
Malaysia‡	(M$)	3.8000	-	000 - 000	3.8000	3.8000	-	-	-	-	-	-	-
New Zealand	(NZ$)	1.9120	+0.0041	102 - 139	1.9205	1.9066	1.9151	-1.9	1.9205	-1.8	1.9393	-1.4	-
Philippines	(Peso)	39.0000	-0.05	500 - 500	39.1500	38.8500	39.3825	-11.8	40.015	-10.4	42.75	-9.6	-
Saudi Arabia	(SR)	3.7510	-	505 - 515	3.7516	3.7503	3.7563	-1.7	3.7678	-1.8	3.8055	-1.5	-
Singapore	(S$)	1.6550	+0.001	535 - 565	1.6593	1.6490	1.6493	4.1	1.642	3.1	1.6215	2.0	-
South Africa	(R)	5.9153	-0.015	105 - 200	5.9250	5.9100	5.9718	-11.5	6.0808	-11.2	6.5953	-11.5	-
South Korea	(Won)	1207.30	+0.8	610 - 850	1209.00	1205.50	-	-	-	-	-	-	-
Taiwan	(T$)	32.2455	-0.0035	430 - 480	32.2500	32.2000	32.2105	1.3	32.2405	0.1	32.5295	-0.9	-
Thailand	(Bt)	36.3500	-0.03	500 - 500	36.5200	36.25000	36.38	-1.0	36.45	-1.2	37.4	-2.9	-

† SDR rate per $ for Dec 23. ‡ Official rate set by Malaysian government. The WM/Reuters rate for the valuation of capital assets is 5.43 MYR/USD, a discount of 30% on the official rate. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 23: Base average 1990=100. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS 4pm CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Dec 24		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.43	16.22	4.843	1.950	4796	5.458	21.98	496.6	412.2	23.19	3.956	1.722	4.467	2.882	334.6	2.466
Denmark	(DKr)	54.27	10	8.805	2.628	1.058	2603	2.962	11.93	269.5	223.7	12.58	2.147	0.934	2.424	1.564	181.6	1.338
France	(FFr)	61.64	11.36	10	2.985	1.202	2956	3.364	13.55	306.1	254.0	14.29	2.438	1.061	2.753	1.777	206.3	1.520
Germany	(DM)	20.65	3.805	3.350	1	0.403	990.2	1.127	4.538	102.5	85.10	4.788	0.817	0.356	0.922	0.595	69.10	0.509
Ireland	(I£)	51.29	9.451	8.321	2.484	1	2460	2.799	11.27	254.7	211.4	11.89	2.029	0.883	2.291	1.478	171.6	1.265
Italy	(L)	2.085	0.384	0.338	0.101	0.041	100	0.114	0.458	10.35	8.595	0.484	0.082	0.036	0.093	0.060	6.978	0.051
Netherlands	(Fl)	18.32	3.376	2.972	0.887	0.357	878.6	1	4.026	90.98	75.51	4.248	0.725	0.315	0.818	0.528	61.31	0.452
Norway	(NKr)	45.50	8.385	7.383	2.204	0.887	2182	2.484	10	226.0	187.6	10.55	1.800	0.783	2.033	1.312	152.3	1.122
Portugal	(Es)	20.14	3.711	3.267	0.975	0.393	965.8	1.099	4.426	100	83.00	4.670	0.797	0.347	0.900	0.580	67.39	0.497
Spain	(Pta)	24.26	4.471	3.936	1.175	0.473	1164	1.324	5.332	120.5	100	5.626	0.960	0.418	1.084	0.699	81.19	0.598
Sweden	(SKr)	43.13	7.947	6.997	2.089	0.841	2068	2.354	9.477	214.1	177.8	10	1.706	0.743	1.926	1.243	144.3	1.064
Switzerland	(SFr)	25.28	4.658	4.101	1.224	0.493	1212	1.380	5.555	125.5	104.2	5.862	1	0.435	1.129	0.729	84.59	0.623
UK	(£)	58.08	10.70	9.423	2.813	1.132	2785	3.170	12.76	288.4	239.4	13.47	2.298	1	2.594	1.674	194.4	1.432
Canada	(C$)	22.39	4.125	3.632	1.084	0.436	1074	1.222	4.920	111.2	92.27	5.191	0.886	0.385	1	0.645	74.92	0.552
USA	($)	34.70	6.393	5.629	1.680	0.676	1664	1.894	7.625	172.3	143.0	8.045	1.373	0.597	1.550	1	116.1	0.856
Japan	(Y)	29.88	5.506	4.848	1.447	0.583	1433	1.631	6.567	148.4	123.2	6.929	1.182	0.515	1.335	0.861	100	0.737
Ecu	-	40.55	7.472	6.579	1.964	0.791	1945	2.213	8.912	201.4	167.1	9.403	1.604	0.698	1.811	1.169	135.7	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.5999	0.5967	-0.0034	0.6006	0.5965	7,668	57,108
Jun	-	0.5994	-0.0034	-	0.6000	1	1,222
Sep	-	0.6022	-0.0034	-	-	16	138

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.7296	0.7319	-0.0075	0.7407	0.7315	3,305	29,706
Jun	0.7400	0.7381	-0.0075	0.7400	0.7380	20	385
Sep	-	0.7441	-0.0075	-	0.7440	20	320

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.8718	0.8697	-0.0023	0.8789	0.8675	6,422	59,759
Jun	-	0.8800	-0.0023	-	-	4	3,996
Sep	-	0.8899	-0.0022	-	-	50	1,347

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	1.6746	1.6700	-0.0038	1.6752	1.6674	1,891	42,835
Jun	-	1.6674	-0.0038	-	1.6680	6	1,207
Sep	-	1.6664	-0.0036	-	-	260	230

EMS EUROPEAN CURRENCY UNIT RATES

Dec 24	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Greece	357.000	328.585	-0.304	-7.96	7.70	53
Denmark	7.54257	7.45357	+0.00164	-1.18	0.30	8
Portugal	202.692	200.764	-0.073	-0.95	0.07	6
France	6.63186	6.57015	+0.00141	-0.93	0.05	8
Austria	13.9119	13.7830	+0.0027	-0.93	0.05	7
Ireland	0.796244	0.788903	+0.00021	-0.92	0.04	6
Germany	1.97738	1.95924	+0.00048	-0.92	0.04	9
Finland	6.01125	5.95633	+0.00166	-0.91	0.03	6
Belgium	40.7844	40.4133	+0.0125	-0.91	0.03	7
Netherlands	2.22799	2.20797	+0.00057	-0.90	0.02	7
Spain	168.220	166.737	+0.067	-0.88	0.00	6
Italy	1957.61	1940.30	+0.37	-0.88	0.00	6
NON ERM MEMBERS						
UK	0.653644	0.698998	-0.001155	6.63	-7.05	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. 16/3/98: Drachma joined ERM & Punt revalued by 3%. Other central rates adjusted. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Jan	PUTS Feb	PUTS Mar
1.670	1.51	2.29	2.57	1.30	2.23	2.67
1.680	1.06	1.88	2.22	1.80	2.68	3.18
1.690	0.77	1.40	1.82	2.45	3.29	-

Previous day's vol., Calls 3 Puts 12. Prev. day's open int., Calls 545 Puts 2,012

WORLD INTEREST RATES

MONEY RATES

Dec 24	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3⅞	3½	3⅝	3⅜	3¼	6.00	2.75	-
France	3¼	3⅜	3⅜	3¼	3¼	4.60	-	3.00
Germany	3	3¼	3¼	3⅛	3¼	4.50	2.50	3.00
Ireland	3⅜	3⅜	3¼	3⅜	3⅛	-	-	3.00
Italy	2⅞	3⅜	3⅜	3⅜	3¼	4.50	3.50	3.11
Netherlands	2⅞	3⅜	3¼	3⅜	3¼	-	2.75	3.00
Switzerland	⅞	1⅜	1⅛	1½	1⅜	-	1.00	-
US	4⅞	5¼	5⅛	5⅛	5	-	4.50	-
Japan	⅛	¼	⅛	⅛	¼	-	0.50	-
■ $ LIBOR BBA London								
Interbank Fixing	-	5¼	5¼	5⅛	5⅛	-	-	-
US Dollar CDs	-	4.90	4.77	4.76	4.72	-	-	-
ECU Linked Ds	-	3¼	3⅛	3⅛	3⅛	-	-	-
SDR Linked Ds	-	3⅜	3¼	3⅛	3⅛	-	-	-

London interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am. Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Dec 24	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅞ - 3⅜	3⅝ - 3⅜	3½ - 3⅜	3⅜ - 3¼	3¼ - 3⅛	3¼ - 3⅛
Danish Krone	4⅞ - 4⅜	4⅞ - 4⅜	4¼ - 4	4¼ - 4	4⅛ - 4	4¼ - 4
German Mark	2⅞ - 2⅞	3⅛ - 2⅞	3⅜ - 3⅛	3¼ - 3⅛	3⅛ - 3⅛	3¼ - 3⅛
Dutch Guilder	2¾ - 2½	3¼ - 3¼	3⅜ - 3⅛	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼
French Franc	3½ - 3⅛	3⅜ - 3⅛	3⅜ - 3⅛	3¼ - 3¼	3⅜ - 3⅛	3⅜ - 3⅛
Portuguese Esc.	3⅜ - 3⅛	3⅜ - 3⅜	3¼ - 3⅜	3⅜ - 3⅜	3⅛ - 3⅛	3⅜ - 3¼
Spanish Peseta	2⅞ - 2½	3¼ - 3⅜	3⅜ - 3⅛	3¼ - 3¼	3¼ - 3⅛	3⅜ - 3¼
Sterling	7 - 6¾	7¼ - 6¾	6⅝ - 6⅛	6⅜ - 6⅛	6⅛ - 5⅞	5⅞ - 5⅝
Swiss Franc	¾ - ½	3⅛ - 2⅞	1⅜ - 1⅛	1⅜ - 1⅛	1⅜ - 1⅛	1⅜ - 1⅛
Canadian Dollar	5¼ - 5	5⅜ - 5⅛	5¼ - 5⅛	4⅞ - 4⅝	4⅝ - 4½	4⅝ - 4⅜
US Dollar	4⅞ - 4⅝	7⅛ - 7⅛	5¼ - 5⅛	5⅜ - 5⅛	5⅛ - 5	5⅛ - 5⅛
Italian Lira	2⅞ - 2¾	3⅜ - 3⅛	3⅜ - 3⅛	3¼ - 3⅛	3¼ - 3⅛	3⅛ - 3⅛
Japanese Yen	⅛ - ⅛	⅞ - ⅝	⅛ - ⅛	¼ - ⅛	⅛ - ⅛	⅛ - ⅛
Asian $Sing	½ - ⅜	1¼ - 1	1¼ - 1¼	2¼ - 1¾	2¼ - 2	2¼ - 2¾

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.870	96.820	-0.065	96.890	96.790	1,313	46,084
Jun	96.955	96.920	-0.035	96.955	96.920	157	27,224

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jan	96.785	96.770	-0.035	96.785	96.770	750	20671
Jun	96.945	96.920	-0.035	96.945	96.905	5114	395788
Sep	96.935	96.925	-0.030	96.940	96.910	1780	285479
Dec	96.560	96.540	-0.035	96.560	96.535	744	203322

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
A							

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.870	96.825	-0.055	96.870	96.810	2093	247683
Jun	96.910	96.910	-0.040	96.910	96.910	17	71900
Sep	96.930	96.920	-0.030	96.930	96.920	58	43080
Dec		96.530	-0.040			0	41519

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.390	98.370	-0.040	98.420	98.350	1307	65066
Jun	98.310	98.270	-0.050	98.310	98.270	521	32926
Sep	98.180	98.180	-0.050	98.180	98.180	10	19024
Dec		97.790	-0.050			0	8583

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		99.31	+0.04			0	n/a
Jun		99.38	+0.04			0	n/a
Sep		99.27	+0.06			0	n/a

* LIFFE futures also traded on APT

■ THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jan		96.770	-0.035			0	0
Jun		96.920	-0.035			0	2233
Sep		96.925	-0.030			0	1101
Dec		96.540	-0.035			0	666

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.00	94.96	-0.04	95.01	94.95	63,598	506,325
Jun	94.99	94.96	-0.04	95.04	94.93	85,719	398,634
Sep	95.00	94.97	-0.04	95.06	94.95	80,410	357,208

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.68	95.63	-0.08	95.70	95.61	172	1,568
Jun	95.70	95.68	-0.03	95.70	95.68	1	65

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	CALLS Jun	PUTS Jan	PUTS Feb	PUTS Mar	PUTS Jun
96750								
96875								
97000								
97125								

Est. vol. total, Calls 1050 Puts 650. Previous day's open int., Calls 878203 Puts 522116

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
98250						
98375						

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 3225 Puts 2062

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
96875	0.075			0.080		
97000	0.050	0.140	0.185	0.160	0.175	0.215
97125	0.020			0.255		

Est. vol. total, Calls 100 Puts 100. Previous day's open int., Calls 2033 Puts 8578

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Jan	PUTS Feb	PUTS Mar
0.590	0.93	1.26	1.47	0.31	0.65	0.84
0.595	0.62	0.96	1.19	0.56	0.87	1.06
0.600	0.41	0.71	0.96	0.84	1.14	1.30

Previous day's vol., Calls 29 Puts 3. Prev. day's open int., Calls 735 Puts 3,862

UK INTEREST RATES

LONDON MONEY RATES

Dec 24	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	8 - 3	5½ - 5	6⅛ - 6⅜	6⅛ - 6⅛	6⅛ - 5⅞	5⅞ - 5⅜
Sterling CDs	-	-	6⅛ - 6⅛	6⅜ - 6⅛	5⅞ - 5⅞	5⅜ - 5½
Treasury Bills	-	-	6⅛ - 6	6 - 5⅞	-	-
Bank Bills	-	-	6⅛ - 6	6 - 5⅞	5⅞ - 5⅞	-
Local authority deps.	6⅛ - 6⅛	6⅛ - 6⅛	6⅜ - 6⅛	6⅜ - 6⅛	5⅞ - 5⅞	5¾ - 5½
Discount Market deps.	5½ - 5⅛	6⅛ - 6⅛	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from Dec 10, 1998

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	4	6.5	6.5	6.25	6.25

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 3pc.
Ave. tender rate of discount on Dec 18, 5.6755pc. ECGD fixed rate Stg. Export Finance. Make up day Nov 30, 1998. Agreed rate for period Dec 26, 1998 to Jan 25, 1999, Scheme III 8.24pc. Reference rate for period Oct 31, 1998 to Nov 30, 1998, Schemes IV & V 6.098pc. Finance House Base Rate 7½pc for Dec 1998.

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.450	94.450	-0.020	94.460	94.430	4419	184233
Jun	94.810	94.840	-0.020	94.840	94.810	3407	171225
Sep	94.920	94.930	-0.030	94.940	94.910	2067	147482
Dec	94.490	94.480	-0.020	94.490	94.450	1095	129851
Mar	94.810	94.810	-0.030	94.830	94.800	431	114270

Also traded on APT. All Open interest figs. are for previous day

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
94250	0.310	0.680	0.840	0.110	0.090	0.180
94375	0.225			0.150		
94500	0.160	0.500	0.660	0.210	0.160	0.230
94625	0.115			0.290		
94750	0.080	0.345	0.505	0.380	0.255	0.325
94875	0.050			0.475		

Est. vol. total, Calls 2050 Puts 50. Previous day's open int., Calls 408555 Puts 392045

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Exeter Trust Limited	7.25	●Singer & Friedlander	6.25
Allied Irish Bank (GB)	6.25	Financial & Gen Bank	8.00	Smith & Williamson	6.25
●Henry Ansbacher	6.25	●Robert Fleming & Co	6.25	Sun Bank	6.25
Banco Bilbao Vizcaya	6.25	Habib Bank AG Zurich	6.25	TSB	6.25
Bank of Cyprus	6.25	Heritable & Gen Inv Bk	6.25	United Bank of Kuwait	6.25
Bank of Ireland	6.25	C. Hoare & Co	6.25	Unity Trust Bank Plc	6.25
Bank of India	6.75	●SG Hambros Bank & Trust	6.25	Whiteaway Laidlaw	6.25
Bank of Scotland	6.25	Hongkong & Shanghai	6.25	Yorkshire Bank	6.25
Barclays Bank	6.25	Investec Bank (UK) Ltd	6.25		
Brit Bk of Mid East	6.25	Julian Hodge Bank	6.25	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	6.25	●Leopold Joseph & Sons	6.25		
Citibank NA	6.25	Lloyds Bank	6.25		
Clydesdale Bank	6.25	Midland Bank	6.25		
The Co-operative Bank	6.25	NatWestminster	6.25		
Coutts & Co	6.25	●Rea Brothers	6.75		
Cyprus Popular Bank	6.75	Royal Bk of Scotland	6.25		
Duncan Lawrie	6.25	Scottish Widows Bank	6.75		

■ OTHER CURRENCIES

Dec 24	£	$
Czech Rp	50.2803 - 50.5163	30.0450 - 30.1690
Hungary	361.627 - 362.094	216.090 - 216.240
Iran	5023.50 - 5020.50	3000.00 - 3000.00
Kuwait	0.5052 - 0.5060	0.3019 - 0.3022
Peru	5.2287 - 5.2382	3.1250 - 3.1270
Poland	5.8204 - 5.8323	3.4780 - 3.4830
Russia	33.9366 - 34.0258	20.2800 - 20.3200
U.A.E.	6.1463 - 6.1506	3.6727 - 3.6731

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Companies and Finance page in Monday's edition.

EQUITIES

The euro takes centre stage

EUROPEAN OVERVIEW

By Arkady Ostrovsky

The main focus this week will be on the launch of the euro which is expected to give a boost to the European equity market in the long term.

"Substantial growth of funded private pension schemes will bring an increased demand for Euro-bloc equities. The advent of the euro will immediately broaden the basket of domestic investments," said Bronwyn Curtis, chief economist at Nomura. She said privatisation is likely to be one of the key factors in developing the European equity market.

Some analysts expect strategic re-adjustment of equity portfolios after a pre-Christmas period when the markets were subdued as investors, deterred by the launch of the euro and the prospect of redenomination, stayed on the sidelines.

However, David Brown at Bear Stearns says: "We think there is a good chance that European stock markets could start the new year on a really weak footing, especially as European bonds roar away on an early capital-flow driven rally." In the short term, equity markets might also suffer from the extended impeachment battle for President Bill Clinton in the US Senate.

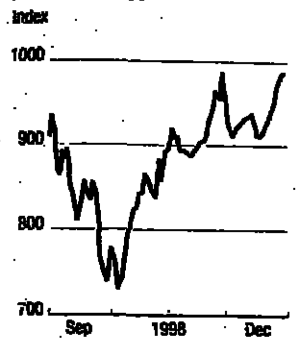
On the bonds side, the first quarter of the new year is likely to see the highest volume of issuance with France, Germany and Italy leading the way, according to a research team at Deutsche Bank.

"Whilst the stability pack will help to prevent a deterioration in the fiscal position of Euroland member countries, the pace of further improvements in the structural deficits will be less impressive than it has been over recent years," the bank said in its recent research.

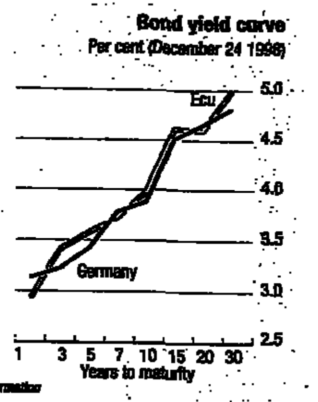
Some analysts anticipate a further 25 basis points cut in the interest rate by the ECB in the first quarter of the new year, despite repeated pledges by Wim Duisenberg, the ECB president, that the rate will stay at 3 per cent for the foreseeable future.

"The ECB's easing work is not over yet. We could easily envisage the euro repo rate being pruned another 25 basis points down to 2.75 per cent in the early months of 1999 as the EMU-11 monetary authority struggle to re-invigorate economic growth prospects," said David Brown at Bear Stearns.

FTSE Ebloc 100



Bond yield curve



Source: FTSE International, Interactive Data/FT Information

THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jan		96.770	-0.035			0	0
Jun		96.920	-0.035			0	2233
Sep		96.925	-0.030			0	1101
Dec		96.540	-0.035			0	666

THREE MONTH EURO OPTIONS (LIFFE) Ecu1m points of 100%

Strike Price	CALLS Jan	Feb	Mar	Jun	PUTS Jan	Feb	Mar	Jun
97000	0.010	0.015	0.025	0.140	0.120	0.125	0.135	0.170
97125	0	0	0.065	-	0.235	0.235	0.240	-

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 0 Puts 0

FTSE EUROTOP 100 INDEX FUTURES (LIFFE) Ecu20 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	2749.0	2730.0	-9.0	2749.0	2748.0	5	5993
Jun			+0			0	0
Sep			+0			0	0

EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) Ecu10 per index point

	2500 C	P	2525 C	P	2550 C	P	2600 C	P	2650 C	P	2700 C	P	2750 C	P	2800 C	P
Jan	[illegible]															
Feb	[illegible]															

Est. vol. total · Prev day's open interest total 6,302 . Premiums shown are based on settlement prices.

OTHER INDICES

	Dec 24	Dec 23	Dec 22	1998 High	Low	Since compilation High	Low
DJ Stoxx 50	[illegible]						2433.07
DJ Euro Stx 50	[illegible]						2419.23
MSCI Europe	[illegible]						510.78

Source: Datastream of FT Information. *Subject to revision next day.

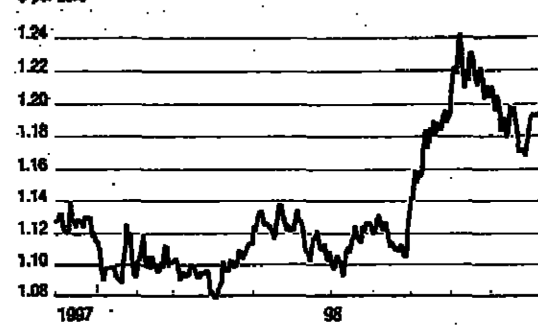
CURRENCIES & MONEY

FT SYNTHETIC EURO RATES

Dec 24	Currency code	Closing mid point	Change on day	Change on day%	Change on week	Change week %
Europe						
Austria	ATS	14.050411	-0.0001	+0.00	+0.0042	+0.03
Belgium	BEF	41.238390	+0.0499	+0.12	+0.0481	+0.12
Czech Republic	CZK	35.784511	+0.1988	+0.56	+0.0237	+0.07
Denmark	DKK	7.598942	+0.0019	+0.03	+0.0056	+0.07
Finland	*FIM*	*6.071850*	*+0.0004*	*+0.01*	*+0.0016*	*+0.03*
France	FRF	6.690615	-0.0041	-0.06	-0.0060	-0.09
Germany	DEM	1.997200	+0.0002	+0.01	+0.0007	+0.03
Greece	GRD	334.691226	-0.6254	-0.19	-0.4329	-0.13
Hungary	HUF	256.933178	-0.2590	-0.10	-2.2815	-0.88
Ireland	IEP	0.804086	-0.0001	-0.02	+0.0001	+0.01
Italy	ITL	1977.847945	-0.0059	+0.00	+0.0571	+0.00
Luxembourg	LUF	41.238390	+0.0499	+0.12	+0.0481	+0.12
Netherlands	NLG	2.250847	+0.0003	+0.01	+0.0008	+0.03
Norway	NOK	9.062462	-0.0706	-0.77	-0.1766	-1.91
Poland	PLN	4.136814	-0.0052	-0.13	-0.0679	-1.61
Portugal	PTE	204.771577	+0.0102	+0.00	-0.0165	-0.01
Romania	ROL	12869.539398	+85.9714	+0.67	+178.9888	+1.41
Russia	RUB	24.128529	-0.4438	-1.81	-2.1408	-8.15
Slovakia	SKK	43.377888	-0.0782	-0.18	+0.1520	+0.35
Spain	ESP	169.969442	+0.1103	+0.06	+0.0144	+0.01
Sweden	SEK	9.562148	-0.0211	-0.22	-0.1681	-1.73
Switzerland	CHF	1.631360	+0.0056	+0.35	+0.0138	+0.84
United Kingdom	GBP	0.710068	-0.0005	-0.07	-0.0067	-0.94
ECU	ECU	1.016984	+0.0003	+0.03	+0.0005	+0.05
Americas						
Brazil	BRL	1.435231	-0.0051	-0.36	-0.0103	-0.71
Canada	CAD	1.842088	-0.0110	-0.59	-0.0072	-0.39
Mexico	MXN	11.743343	+0.0596	+0.51	+0.0088	+0.07
United States	USD	1.188597	-0.0042	-0.35	-0.0109	-0.91
Pacific/Middle East/Africa						
Australia	AUD	1.949468	+0.0012	+0.06	+0.0239	+1.24
Hong Kong	HKD	9.206876	-0.0304	-0.33	-0.0861	-0.93
Japan	JPY	138.002112	-0.3007	-0.22	-1.1381	-0.82
Singapore	SGD	1.967729	-0.0058	-0.29	-0.0096	-0.49
South Africa	ZAR	7.030911	-0.0429	-0.61	-0.0281	-0.40

Source: FTSE International Ltd.This table gives a theoretic, synthetic value for the Euro against various other currencies, calculated by applying GDP weights to Euro "in" currencies. The Euro will not exist until January 1 and the table should not be used as a precise guide to its value. It is designed to show broad currency valuation trends. Currency weightings as follows: DEM 0.3364, FRF 0.2217, ITL 0.1823, NLG 0.0577, BEF 0.0386, ESP 0.0848, IEP 0.0116, PTE 0.0155, ATS 0.0328, FIM 0.0187.

Synthetic Euro against the dollar



Source: FTSE International

EUROZONE CURRENCY CONVERGENCE

Bilateral conversion rates against the D-Mark

Dec 24	Fixed rate	Market rate	Diff fxd v mkt%	Week ago %	Forward rate	Forward Int rate	Diff int rate v DEM
Austria	7.03552	7.0351	-0.01	+0.00	7.0354	4.01	+0.26
Belgium	20.6255	20.6481	+0.11	+0.03	20.6489	3.98	+0.23
France	3.35386	3.35	-0.12	+0.01	3.3501	3.93	+0.18
Finland	3.04001	3.0402	+0.01	+0.01	3.0403	3.95	+0.20
Ireland	0.402676	0.4026	-0.02	+0.00	0.4026	3.75	+0.00
Italy	990.002	990.2101	+0.02	+0.05	990.1994	3.69	-0.06
Luxembourg	20.6255	20.6481	+0.11	+0.03	20.6489	3.98	+0.23
Netherlands	1.12674	1.127	+0.02	+0.03	1.127	3.75	+0.00
Portugal	102.505	102.5283	+0.02	+0.06	102.5344	4.05	+0.30
Spain	85.0722	85.1039	+0.04	+0.06	85.1081	4.05	+0.30
Germany	1		+0.00	+0.00		3.75	+0.00

Source: The WM Company. Fixed rates are bilateral rates agreed by EU May 2/3; forward rates are exchange rates to 31/12/98 interpolated from market quotes; forward interest rates are those implied by these forward exchange rates: Diff int rates v DEM are differences between implied forward interest rates and the DEM forward interest rate for 31/12/98; DEM forward interest rate for 31/12/98 is calculated by interpolation between published BBA market fixings.

BONDS

INTEREST RATE SWAPS

Dec 23	D-Mark Bid	Ask	Ecu Bid	Ask	£ Stlg Bid	Ask	US $ Bid	Ask	Yen Bid	Ask
1 year	3.18	3.21	3.20	3.24	6.22	6.25	4.95	4.98	0.43	0.46
2 year	3.24	3.27	3.24	3.28	5.46	5.49	4.98	5.01	0.54	0.57
3 year	3.34	3.37	3.34	3.38	5.44	5.48	5.06	5.09	0.69	0.72
4 year	3.47	3.50	3.47	3.51	5.44	5.48	5.11	5.14	0.85	0.88
5 year	*3.62*	*3.65*	*3.62*	*3.66*	*5.43*	*5.47*	*5.16*	*5.19*	*1.01*	*1.04*
6 year	3.77	3.80	3.77	3.81	5.41	5.45	5.23	5.26	1.14	1.17
7 year	3.93	3.96	3.93	3.97	5.41	5.45	5.28	5.31	1.28	1.31
8 year	4.09	4.12	4.09	4.13	5.41	5.45	5.33	5.36	1.41	1.44
9 year	4.22	4.25	4.22	4.26	5.41	5.45	5.39	5.42	1.53	1.56
10 year	4.31	4.34	4.31	4.35	5.41	5.45	5.44	5.47	1.65	1.68
12 year	4.47	4.50	4.47	4.51	5.40	5.45	5.51	5.54	1.88	1.92
15 year	4.66	4.69	4.66	4.70	5.39	5.45	5.62	5.65	2.13	2.17
20 year	4.86	4.89	4.86	4.90	5.38	5.45	5.71	5.69	2.34	2.39
25 year	4.96	4.99	4.96	5.00	5.37	5.44	5.71	5.70	2.41	2.46
30 year	5.03	5.06	5.03	5.07	5.36	5.44	5.71	5.70	2.48	2.53

Bid and ask rates as of close of London business. US $ is quoted annual money actual/360 basis against 3 months LIBOR, £ and Yen quoted on a semi-annual actual/365 basis against 6 months LIBOR, D-mark and Ecu quoted on annual bond 30/360 basis against 6 month LIBOR with the exception of the 1 year rate which is quoted against 3 months LIBOR. Source: Intercapital Brokers Ltd.

GOVERNMENT BOND SPREADS vs ECU

Dec 24	2 yrs	5 yrs	7 yrs	10 yrs	20 yrs	30 yrs
"INs"						
Austria	-0.12	-0.05	+0.18	+0.02	-0.43	+0.17
Belgium	-0.09	-0.01	+0.13	+0.17	+0.20	+0.05
Finland	-0.22	+0.01	+0.13	+0.11	-0.50	-0.90
France	-0.19	-0.09	-0.08	-0.04	-0.01	-0.18
Germany	-0.18	-0.15	+0.06	-0.10	+0.05	-0.18
Ireland	-0.21	-0.09	+0.00	+0.10	+0.18	+0.47
Italy	-0.23	-0.20	-0.07	+0.09	+0.21	+0.00
Luxembourg	-0.09	-0.01	+0.13	+0.17	+0.20	+0.05
Netherlands	-0.14	+0.02	+0.10	+0.04	+0.12	-0.14
Portugal	-0.11	+0.07	+0.26	+0.18	+0.33	+0.01
Spain	-0.36	-0.13	+0.11	+0.09	+0.18	-0.04
"OUTs"						
Denmark	+0.44	+0.41	+0.42	+0.22	-0.05	+0.49
Greece	+5.80	+3.85	+3.20	+2.89	+2.25	+1.85
Sweden	*+0.21*	*+0.28*	*+0.33*	*+0.26*	*+0.17*	*-0.23*
UK	+1.55	+0.82	+0.77	+0.45	-0.10	-0.68

Source: Interactive Data/FT Information. Table takes common convention constant maturity treasury yield curves for each currency and compares to the constant maturity Ecu curve to calculate a spread.

EUROZONE CORPORATE BONDS

Dec 24	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Ecu
Sovereign Fungible Issues								
Belgium (Kingdom of)	03/08	5.750	AA+	112.400	4.11	+0.01	-0.15	+0.12
France (Rep of)	04/08	5.250	AAA	109.930	3.95	+0.03	-0.15	-0.04
Italy (Rep of)	*05/08*	*5.000*	*AA*	*107.460*	*4.03*	*+0.00*	*-0.25*	*+0.04*
Portugal (Rep of)	06/08	5.375	AA-	108.888	4.21	-0.01	-0.20	+0.22
Euro Issues								
Abbey Natl Treas Srv	02/03	4.875	AA	104.700	3.63	+0.00	-0.24	+0.05
Gen Electric Cap Crp	10/04	5.500	AAA	108.770	3.78	+0.00	-0.15	+0.19
Oest Kontrollbank	04/08	5.250	AAA	108.370	4.15	+0.00	-0.21	+0.16
Cred Local de France	04/08	5.250	AA+	106.710	4.36	+0.00	-0.20	+0.37
Ecu Issues								
Bayer Hypo & Wch Bk	07/01	5.000	AA-	103.766	3.41	+0.00	-0.35	-0.01
Cred Foncier France	*03/04*	*8.375*	*A*	*119.387*	*4.16*	*+0.00*	*-0.20*	*+0.57*
Euro Inv Bank	04/04	5.250	AAA	108.290	3.50	+0.00	-0.26	-0.09
ABN Amro Hldg. NV	04/07	6.375	AA-	112.035	4.60	+0.00	-0.15	+0.71

Source: Interactive Data/FT Information. London closing. Fungible bonds issued in tranches by Euro "in" sovereigns and fungible into one big Euro issue 1/1/99; Euro issues are issued in the new currency; Ecu bonds are issued in Ecus but convert to Euros € 1/1/99.

EUROZONE CREDIT SPREADS vs ECU

Dec 24	S & P rating	Red date	Coupn	Currency code	Spread	Spread wk ago	Spread mth ago
KFW	AAA	01/09	5.000	DEM	+0.12	+0.08	+0.16
France Telcom	AA+	11/06	6.250	FRF	+0.29	+0.26	+0.22
Halifax	AA	07/07	5.625	DEM	+0.50	+0.47	+0.42
Ing Bank NV	AA-	01/08	5.500	NLG	+0.46	+0.43	+0.32
Bayer Hypo W Bk	AA-	02/02	6.750	ITL	+0.30	+0.27	+0.27
Cred Foncier	*A*	*02/03*	*7.250*	*DEM*	*+0.31*	*+0.38*	*+0.44*
Thomson-Brandt Int	A-	03/04	6.375	FRF	+0.61	+0.53	+0.51
Generale des Eaux	N/A	03/04	6.250	FRF	+0.52	+0.43	+0.41
Bank of China	BBB	07/09	7.125	DEM	+2.23	+2.14	+1.59
Natl Bk of Hungary	BBB	08/01	9.000	ATS	+1.33	+1.10	+0.65
Korea Dev Bank	BB+	11/02	5.625	FRF	+5.25	+5.25	+5.82
Argentina	BB	04/08	8.125	XEU	+5.48	+5.53	+5.15

Source: Interactive Data/FT Information. Table shows yield spreads to the Ecu curve for issues of a broadly representative credit in each rating band denominated in Euro "in" currencies.

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

Dec 24 National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Ecu)
FTSE Eurotop 300	1177.29	-0.19	-2.29	2.31	25.24	1211.96
FTSE Eurotop 100	2717.59	-0.17	-4.66	2.36	39.25	973.82
FTSE Ebloc 100	988.98	+0.08	+0.79	2.10	15.03	1001.82
FTSE EuroMid	1126.28	+0.35	+4.02	2.98	2.03	1166.93
FTSE EuroMid Ebloc	1191.31	+0.10	+1.14	2.38	0.51	1216.50
FTSE EuroMid Ex UK	1190.07	+0.37	+4.34	2.30	0.38	1212.09
FTSE Eurotop 300 Regions						
Eurobloc	1234.46	+0.11	+1.31	2.05	21.65	1260.84
UK	1096.48	-0.67	-7.39	2.78	34.85	1150.51
Europe Ex-Eurobloc	1130.67	-0.52	-5.89	2.61	27.80	1170.59
Europe Ex-UK	1223.96	+0.04	+0.50	2.09	19.98	1246.84
FTSE Eurotop Industry Sectors						
RESOURCES	866.70	+0.27	+2.29	3.32	29.22	906.33
Extractive Industries	732.44	-2.83	-21.30	4.74	14.54	747.91
Oil, Integrated	839.65	+0.40	+3.32	3.26	21.73	859.98
GENERAL INDUSTRIES	1057.47	-0.10	-1.01	2.52	21.44	1079.96
Construction	872.33	-0.01	-0.06	2.24	11.06	882.48
Building Matls & Merchs	900.49	+0.18	+1.62	2.80	8.96	908.27
Chemicals	842.40	+0.23	+1.96	2.77	17.45	857.27
Diversified Industrials	948.68	-0.03	-0.28	2.42	22.61	970.38
Electronic & Elect Equip	942.04	-0.17	-1.64	1.79	5.41	947.17
Engineering	875.94	-0.38	-3.35	3.68	13.02	888.03
Paper, Pckg & Printing	803.52	-0.10	-0.77	2.87	1.21	804.52
CONSUMER GOODS	1222.54	-0.26	-3.14	1.55	18.56	1256.17
Automobiles	898.61	-0.08	-0.70	2.53	10.25	906.94
Alcoholic Beverages	984.53	+0.59	+5.67	2.82	17.83	985.35
Food Producers	991.94	-0.01	-0.10	1.55	11.84	1003.80
Household Goods & Texts	1080.94	-0.02	-0.24	1.76	8.94	1090.17
Healthcare	866.13	+0.15	+1.28	1.36	13.51	879.08
Pharmaceuticals	1090.43	-0.47	-5.13	1.19	5.27	1096.35
Tobacco	1293.34	-1.01	-13.22	3.82	22.77	1317.97
SERVICES	1207.57	-0.38	-4.60	1.91	23.41	1241.71
Distribution	784.19	-0.08	-0.59	2.77	11.37	793.00
Leisure & Hotels	789.43	-0.67	-5.35	2.56	12.27	799.76
Media	1014.81	-0.39	-3.99	2.27	10.68	1025.64
Retailers, Food	1040.39	-0.38	-3.97	1.98	15.00	1056.28
Retailers, General	1030.35	-0.58	-5.97	3.04	20.46	1051.61
Telecommunications	1169.36	-0.45	-5.34	1.59	13.52	1184.13
Breweries, Pubs & Rests	792.29	-0.37	-2.91	3.49	24.30	815.43
Support Services	1039.81	-0.26	-2.71	1.41	9.87	1050.84
Transport	952.96	-0.16	-1.54	2.62	18.24	970.53
Information Technology	835.52	+0.33	+2.74	0.45	2.33	837.51
UTILITIES	1492.34	-0.26	-3.89	2.97	61.60	1582.25
Electricity	1134.24	-0.15	-1.74	3.10	31.89	1170.54
Gas Distribution	1217.12	-0.37	-4.51	1.55	93.32	1340.12
Water	1007.68	-0.75	-7.58	4.95	44.83	1052.43
FINANCIALS	1263.55	-0.19	-2.47	2.59	27.91	1298.00
Banks, Retail	862.11	-0.22	-1.94	3.39	13.54	874.31
Insurance	998.93	-0.13	-1.31	1.39	11.79	1010.98
Life Insurance	1204.26	-0.32	-3.89	1.82	12.98	1219.90
Other Financial	850.45	+0.40	+3.43	2.28	15.95	864.66
Investment Companies	984.79	-0.07	-0.67	1.92	25.55	1008.41
Property	645.44	-0.35	-2.24	3.73	21.26	662.22

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FTSE EUROTOP 300

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
ALCOHOLIC BEVERAGES	[illegible]				
AUTOMOBILES	[illegible]				
BANKS RETAIL	[illegible]				
BREWERIES, PUBS & RESTAURANTS	[illegible]				
BUILDING MATERIALS & MERCHANTS	[illegible]				
CHEMICALS	[illegible]				
CONSTRUCTION	[illegible]				
DISTRIBUTORS	[illegible]				
DIVERSIFIED INDUSTRIALS	[illegible]				
ELECTRICITY	[illegible]				
ELECTRONIC & ELECTRICAL EQPT.	[illegible]				
ENGINEERING	[illegible]				
EXTRACTIVE INDUSTRIES	[illegible]				
FOOD PRODUCERS	[illegible]				
GAS DISTRIBUTION	[illegible]				
HEALTH CARE	[illegible]				
HOUSEHOLD GOODS & TEXTILES	[illegible]				
INFORMATION TECHNOLOGY					
Cap Gemini	138.38	-	9.8	-	0.4
Misys PLC	8.41	+3	3.8	0.3	0.8
[illegible]					
INSURANCE	[illegible]				
INVESTMENT COMPANIES	[illegible]				
LEISURE & HOTELS	[illegible]				
LIFE INSURANCE	[illegible]				
MEDIA	[illegible]				
OIL, INTEGRATED	[illegible]				
OTHER FINANCIAL	[illegible]				
PAPER PACKAGING & PRINTING	[illegible]				
PHARMACEUTICALS	[illegible]				
Sanofi	141.24	-	16.2	-	0.8
Schering	108.78	-1	7.4	-	1.2
Smith Bchm	11.72	-	65.4	0.8	1.4
Synthelabo	181.48	-	8.8	-	0.5
Zeneca	37.28	-7	35.4	0.1	1.9
PROPERTY	[illegible]				
RETAILERS, FOOD	[illegible]				
RETAILERS, GENERAL	[illegible]				
SUPPORT SERVICES	[illegible]				
TELECOMMUNICATIONS	[illegible]				
TOBACCO	[illegible]				
TRANSPORT	[illegible]				
WATER	[illegible]				

Stock data and market capitalisations supplied by FTSE International. Market capitalisation figures are based on shares used in index calculations. Shares are not counted where foreign ownership restrictions apply. Market cap may include secondary lines not eligible as constituents. Stocks in bold type are constituents of the Eurotop 100. Trading volumes and yields derived from local domestic market data and supplied by Extel, part of FT Information. Company classifications are based on those used for the FTSE Eurotop share indices. Prices of stocks may move on public holidays due to currency fluctuations.

COMMODITIES & AGRICULTURE

Trading slow ahead of Christmas

WEEK IN THE MARKETS

By Caroline Fossey

Markets closed at mid-day on Thursday in London and New York with trading slow before the Christmas break. Oil's February contract rose to $10.18 a barrel on Thursday, up 1 cent on the previous close, before closing at $10.12 on the International Petroleum Exchange.

Oil started the week on a low note at $9.81 a barrel, but a spell of cold weather in the US, the first notable cold snap this winter, pushed prices higher.

The Arctic conditions were short-lived and temperatures in the north-east US, one of the world's biggest consuming areas for heating oil, were forecast to be above normal by yesterday.

Long periods of cold weather are needed to draw down stocks of heating oil. Last winter's mild conditions and the above-average weather so far this year have damped demand.

In spite of two rounds of cuts in 1998, the stock surplus has not been used up – analysts believe 350,000 barrels have been lost to abnormal weather patterns in the west this year.

Producers will have to wait until 1999 before they can make further efforts to drive up the price of oil and help it escape its 12-year lows.

Uncertainty remains over output cuts discussed by Iran and Venezuela, two large producers from the Organisation of Petroleum Exporting Countries.

Luis Giusti, president of Venezuela's state oil company, said about 3m barrels a day of excess world output were going into inventories and that his country cutting 200,000 barrels a day would make little difference.

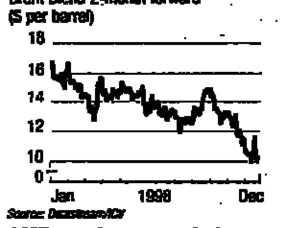
In the metal market, the strike continues at five of Anglo American Corp's (Amplats) platinum mines and smelter. Although Amplats and the National Union of Mineworkers have agreed to independent arbitration, the talks are not scheduled to start until today.

Amplats said the strike had had little impact on its operations so far. It is the world's largest producer of platinum.

The March contract for robusta coffee rose $10 on Thursday in spite of sluggish trading. It closed at $1,800 a tonne on the London International Financial Futures and Options Exchange.

Oil price

Brent Blend 2-month forward ($ per barrel)



Source: Datastream/ICV

LME warehouse stocks*

	Tonnes	Change
Aluminium	630,525	+3,890
Aluminium alloy	95,420	-40
Copper	578,825	+5,200
Lead	108,975	-25
Nickel	64,272	+126
Zinc	316,376	-1,075
Tin	7,785	+165

* Thursday's close

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	1998 High	1998 Low
Gold per troy oz.	$267.00	-3.45	$288.45	$312.55	$275.15
Silver per troy oz	293.62p	+0.62	347.85p	475.70p	286.89p
Aluminium 99.7% (cash)	$1229.5	-2.5	$1514.5	$1521	$1229.5
Copper Grade A (cash)	$1437.5	-11.5	$1746.5	$1850	$1437.5
Lead (cash)	$500.5	+10	$543	$514	$482.5
Nickel (cash)	$3837.5	-2.5	$5880	$5967.5	$3830
Zinc SHG (cash)	$942.75	+3.25	$1119.5	$1145.5	$929
Tin (cash)	$5132.5	-37.5	$5355	$6245	$5160
Cocoa Futures Dec	£860	-26	£1067	£1138	£885
Coffee Futures Jan	$1865	-5	$1660	$2115	$1530
Sugar (LDP Raw)	$191.90	-2.80	$297.60	$297.40	$172.10
Barley Futures Jan	£76.75	-0.50	£74.60	£80.50	£67.00
Wheat Futures Jan	£76.65	-0.60	£81.50	£85.10	£68.60
Cotton Outlook A Index	56.05c		73.55c	73.10c	55.85c
Wool (64s Super)	315p		392p	392p	279p
Oil (Brent Blend)	$10.275x	+0.475	$17.62	$16.49	$9.675

Per tonne unless otherwise stated. p Pence/kg. c Cents lb. x Jan

BASE METALS

PRECIOUS METALS

Gold Coins

	$ price	£ equiv.
Krugerrand	297-301	177-179
New Sovereign	70-74	41-43

ENERGY

GRAINS AND OIL SEEDS

SOFTS

MEAT AND LIVESTOCK

LONDON TRADED OPTIONS

LONDON SPOT MARKETS

PULP AND PAPER

■ PULPEX OMLX (US$; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	419.50	+4.50	421.00	416.25	15	457
Jun	435.00	–	435.00	432.25	13	101
Total					28	588

FUTURES DATA

All futures data supplied by CMS.

Wool from Mallett & Co

With Christmas and New Year holidays dominant in most of the main consuming and producing countries of the wool world, those keeping a wary eye out for factors likely to affect prices can only watch the currency markets. The Australian dollar seems to be weakening again after a brief period of recovery. This means that wool internationally may be cheaper to buy after the recess for major consuming countries, unless the wool market itself builds on its short-lived and uncertain pre-Christmas upturn. Fundamentals remain poor, with demand slow and difficult and stocks overhanging the merino market in particular.

VOLUME DATA

Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Dec 24	Dec 23	month ago	year ago
1472.0	1469.2	1475.0	1753.2

■ CRB Futures (Base: 1967 = 100)

Dec 23	Dec 22	month ago	year ago
189.27	189.11	–	–

■ GSCI Spot (Base: 1970 = 100)

Dec 23	Dec 22	month ago	year ago
129.91	129.06	139.29	177.92

WORLD BOND PRICES

Continued concern over JGBs

GOVERNMENT BONDS

By Arkady Ostrovsky in London and Tracy Corrigan in New York

Japanese investors continued to sell domestic bonds last week amid mounting concerns about the oversupply of JGBs.

The yield on the 10-year No 207 JGB was up 22 basis points to 2.205 per cent. The yield on the key benchmark No 203 bond rose to 1.940 from Tuesday's close of 1.9 per cent but dropped to 1.885 in late trading in Tokyo.

Danyelle Guyatt at Deutsche bank said the main question was whether yields on JGBs were high enough for Japanese investors to start buying domestic bonds and withdraw from US Treasuries and German bunds.

US Treasury prices fell on Thursday, a curtailed trading day, as the market absorbed news that Federal Reserve policy makers have shifted towards a neutral monetary policy.

Phyllis Reed at Barclays Capital said US Treasuries were hit by the release of minutes from last month's Federal Reserve Open Market Committee meeting, which indicated that the November rate cut was viewed as completing a policy adjustment, suggesting that further cuts are unlikely in the near term.

At the early close, the 30-year long bond was down $\frac{21}{32}$ to 100½, yielding 5.22 per cent, while the five-year Treasury was down $\frac{11}{32}$ to 98, yielding 4.71 per cent.

European markets also closed lower, taking a cue from US Treasuries, in a very quiet pre-Christmas half-day trading session.

In Italy, the March BTP future fell 0.14 to 113.28. In the UK, the March 10-year gilt future fell 0.18 to 118.42.

BENCHMARK GOVERNMENT BONDS

Dec 24	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	01/01	6.750	107.9922	4.00	+0.07	+0.24	-0.12	-0.72
	03/08	6.750	128.4649	4.90	+0.05	+0.26	-0.28	-0.93
Austria	07/00	5.875	103.7378	3.34	-	+0.08	-0.18	-1.02
	01/08	5.000	108.8363	4.08	-	+0.05	-0.16	-1.22
Belgium	01/00	4.000	100.8300	3.10	-	+0.10	-0.22	-1.09
	03/08	5.750	112.4000	4.11	+0.01	+0.05	-0.15	-1.23
Canada	12/00	5.000	100.2600	4.85	+0.03	+0.25	-0.05	-0.34

US INTEREST RATES

Close

		Treasury Bills and Bond Yields			
Prime rate	7¾	One month	-	Two year	4.78
Broker loan rate	6½	Two month	-	Three year	4.72
Fed.funds	4½	Three month	4.57	Five year	4.72
Fed.funds at intervention	4½	Six month	4.71	10-year	4.86
		One year	4.73	30-year	5.22

BOND FUTURES AND OPTIONS

France

Germany

Italy

Spain

UK

Ecu

US

Japan

FTSE Actuaries Government Securities

UK Indices

UK GILTS PRICES

Other Fixed Interest

LONDON STOCK EXCHANGE

Equities suffer from pre-Christmas hangover

MARKETS REPORT

By Peter John

The London equity market was not exactly a turkey on Christmas eve but there were very few crackers to be seen either.

Following a strong run that saw six gains in the previous seven trading sessions and a rise of nearly 400 points over the past fortnight, the Footsie failed to take heart from Wednesday night's 157-point jump in the Dow Jones Industrial Average.

With no inspiration from the government bond or currency markets, the UK index limped down 41.6 to 5,867.2.

The Scrooge-like performance was reflected in the turnover. Only 108.5m shares changed hands during Thursday's half-day session.

Not even the telecom sector, which provided the best performing blue-chip stocks during the year, was able to show a net gain. Colt Telecom lost a smidgin of its 500 per cent annual gain.

However, there was slightly more joy in the Bob Cratchit and Tiny Tim sectors. The FTSE 250 rose 14.8 to 4,812.8 while the SmallCap added 8.0 at 2,052.4.

The big question in the minds of the few dealers and strategists who turned up for work was whether the traditional "January effect" had already happened or whether the market was poised for another big leap forward in the new year.

Those who believe that there could be a rush of business in the *first few weeks of 1999 point to* two factors. They say the introduction of the euro on January 1 may lead to a flood of cash from the continent.

In addition, the merger of BP and Amoco is expected to be signed within the next couple of days and to prompt a big adjustment in investment institutions' portfolios because of the reweighting of the stock.

"Fund managers are going to be in the very unusual position of being underweight after Christmas," quipped one oil trader.

Over in the bear camp, strategists argue that further interest rate cuts are already discounted by the market and the slowdown *in the high street may be more* than a temporary blip.

Richard Jeffrey of Charterhouse Tilney was until relatively recently one of the UK strategists with the most negative view of the London market's prospects.

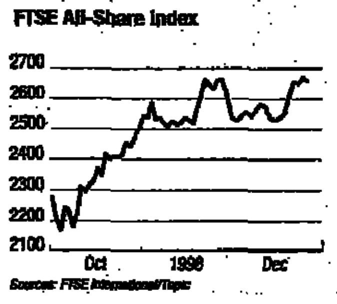
Now taking a more benign line, he says: "The big question is in respect of the consumer and the spending period over Christmas and the new year is crucial.

"I suspect Christmas spending is coming later and later and consumer demand is much more robust than people have been saying. However, the other question is the January effect and I think we might have already pre-empted that."

The latest survey of UK fund managers by Merrill Lynch, appears to bear that view out. The investment bank found that while every fund manager surveyed expected base rates to fall further next year, they see little prospects of imminent economic recovery.

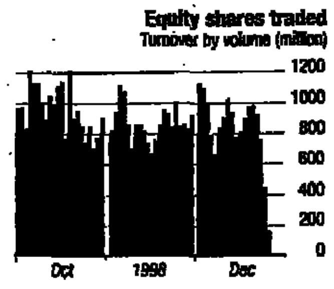
And on balance they are less interested in UK equities than they were in October and November and continue to be sellers of the US.

FTSE All-Share Index



Source: FTSE International/Topic

Equity shares traded
Turnover by volume (million)



Indices and ratios		
FTSE 250	4812.8	+14.8
FTSE 350	2762.5	−15.3
FTSE All-Share	2683.74	−13.49
FTSE All-Share yield	2.93	2.84
FT 30	3533.6	−21.5
FTSE Non-Fins p/e	22.34	22.43
FTSE 100 Fut Mar	5905.5	−50.5
10 yr Gilt yield	4.56	5.54
Long gilt/equity yld ratio	1.54	1.55

FTSE 100 Index	
Closing index Dec 24	5867.2
Change over week	+125.3
Dec 23	5908.8
Dec 22	5843.3
Dec 21	5876.5
Dec 18	5741.9
High*	5911.5
Low*	5733.3

*Intra-day high and low for week

TRADING VOLUME IN MAJOR STOCKS

	Vol. 000s	Closing price	Day's change		Vol. 000s	Closing price	Day's change
3i	51	593	−6½	Kingfisher	70	642	−4
AMVESCAP	378	460	−3	Ladbroke	64	238	−3½
ASDA Group	785	159½	−3¼	Land Securities	316	770	−4½
Abbey National	216	1275	−4	Legal & General	38	772½	−15½
Alliance & Leicester	49	870	−4½	Lloyds TSB	642	865	−5½
Allied Domecq	52	554	−1½	LucasVarity	8	798	−4½
Allied Zurich	84	883	−15	Marks & Spencer	733	408	−9½
Anglian Water	70	835	+2½	NatWest Bank	191	1171	−4
Assoc. Brit. Foods	2	534		National Grid	749	480½	−4½
BAA	216	694	+1½	National Power	503	518½	−2
[illegible]				[illegible]			
GKN	161	772	+6	Utd. News & Media	50	522	+½
HSBC (75p shs)	144	1649	−3	United Utilities	73	834½	−7
HSBC (HK$10)	34	1535	−19	Vodafone	997	970	−23
Halifax	472	850	−28	WPP	25	378	+1½
[illegible]	117	471½	−1½	Whitbread	182	788	−5½
[illegible]	362	483	+6	Williams	227	343	+3½
[illegible]	141	530	+5	Woolwich	115	354	−5¼
Imperial Tobacco	9	649	+1½	Zeneca	94	2603	−50

Based on trading volume for the FTSE 100 constituent companies and reserves Thursday until 12.30pm. [illegible] indicates a FTSE 100 index reserve. All trades are rounded. Source: Extel, part of FT Information.

EQUITY FUTURES AND OPTIONS TRADING

Derivatives were flat on Thursday with volume in FTSE futures and traded options at very low levels.

The contract on the FTSE 100 index which expires in March saw turnover of just over 2,500 contracts. March closed at 5,905 a 38-point premium to the cash market. That was in line with fair value, the premium which allows for dividend flow and financing costs on the underlying Footsie stocks.

In options there was little incentive to trade and business was restricted to light tidying-up operations.

FTSE Index option business was mostly confined to at-the-money strikes, and volatilities continued to drift back to take account of accelerated time-decay. In screen-traded equity options, there was light trade in oil stocks again. Around 100 lots of Shell Transport January at-the-money 360p calls traded. In British Petroleum, dealers noted light January straddle strangle trades.

■ FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	5962.0	5900.0	−55.0	5962.0	5880.0	2589	185405
Jun		5940.0	−56.0			0	13538
Sep			+0			0	0

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		4980.0	+15.0			0	6939
Jun			+0			0	0

■ FTSE 100 INDEX OPTION (LIFFE) (*5867) £10 per full index point — Dec 24

	5700 C	5700 P	5750 C	5750 P	5800 C	5800 P	5850 C	5850 P	5900 C	5900 P	5950 C	5950 P	6000 C	6000 P	6050 C	6050 P
Jan	250½	75	220	89½	184	105½	158	128	128½	150½	103	177	77	208½	68½	239
Feb	382½	175½	350	192½	320	212	288	231½	280½	251½	238½	272	204½	297½	183½	326
[illegible]																

Calls 41 Puts 66

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point — Dec 24

	5725 C	5725 P	5775 C	5775 P	5825 C	5825 P	5875 C	5875 P	5925 C	5925 P	5975 C	5975 P	6025 C	6025 P	6075 C	6075 P
Jan	236	81½	201½	97	169	114½	190	134	113	158	89½	184	71½	215½	58¼	248
Feb	382	180	331	198	301½	218½	273	239½	246	262	220	285½	194½	309	168½	333
Mar	424	251½	389½	273	369½	286	337½	312½	308½	334	283	357	258	381	234	406½
Jun	625½	417			589	446½			582	487			444½	527		
Sep†	782	533½			720½	568			669	603			612	650½		

Calls 1,004 Puts 1,206 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

John Lewis data add to gloom

COMPANIES REPORT

By Joel Kibazo

Retail sector watchers looking for signs of hope in an otherwise gloomy outlook for the sector received a fresh blow from data published on Christmas eve.

The John Lewis Partnership said that in the week to December 19, department store sales were down 3.6 per cent, while sales at the group's Waitrose food chain fell 0.7 per cent. Total sales were down 2.8 per cent.

The slowdown in the *global* economy *has* hit the high street hard and hopes that Christmas shopping would bring some cheer have been dashed by these figures. Specialists see continued discounting and the earlier than usual start to the sales as further signs of the weakness in the sector.

Marks and Spencer, once the star of the sector has been the subject of a series of profit downgrades in the last few weeks. The bargain hunting seen in the stock in the previous two sessions faded with the renewed gloom which left the shares trailing 9¾ at 408p.

Kingfisher was also unloved, the shares declining 4 to 642p, while Dixons, a strong performer of late on the prospect of good electrical goods sales, was also out of favour on Thursday. The shares fell 9 to 821p. Boots gave up 13½ to £10.40.

Oil giant British Petroleum was sought, the shares gaining 14½ to 916½p on Thursday, with the company confident that its merger with US group Amoco will soon be completed.

BP held meetings with the US Federal Trade Commission last week over the $110bn deal. There was little activity in the rest of the sector. Shell Transport eased 4 to 365¾p.

The prospect of bumper *sales during the festive* season helped make Diageo the best performing stock in the FTSE 100, the shares jumping 13¾ to 701¼p.

Analysts have suggested the collapse earlier this month of talks over closer links between rival Allied Domecq and Canadian group Seagram may boost the global competitive position of Diageo. The was little business in Allied and the shares closed 1¼ off at 554p.

In spite of being one of the best performing sectors this year, telecoms were quiet on Thursday. Colt Telecom, is the best performing FTSE 100 stock so far this year, the shares having started at 153¾p. But with little interest in the sector in the pre-Christmas half-day session, the shares lost 22½ to 925p.

Mobile telephone operators also saw strong demand this year. However predictions of increased subscriptions over the holiday period did little to drag institutions from the sidelines, which left the shares drifting lower. Orange, another strong performer this year, fell 6 to 891p while rival Vodafone Group fell 23 to 970p. Securicor, 40 per cent owner of *mobile phones* operator Cellnet, eased 8½ to 499½p.

Shares in spectacle frame and sunglasses maker Eyecare Products jumped 2½ or nearly 21 per cent to 14½p on Thursday after dealers responded to news of a £13.3m agreed bid which was announced after Wednesday's market close.

Eyecare said it had accepted a 15p-per-share offer from a group called Kappa in which Marc Lamy, one of Eyecare's directors, has a substantial interest.

MAIN MOVERS

FTSE 350	Thurs close	Day's change	Day's chge %
RISES			
Spring Group	146½	+31½	+27.4
Misys	447½	+23¾	+5.6
Partly	560	+18	+3.3
BICC	62½	+2	+3.3
TT Group	201½	+6	+3.1
British Steel	91	+2½	+2.8
Johnston Press	215½	+5½	+2.6
Pilkington	59½	+1½	+2.6
FALLS			
Inchcape	122	−5½	−4.3
Billiton	120	−4	−3.2
Halifax	850	−28	−3.2
Rio Tinto (Reg)	691½	−20½	−2.9
Centrica	117	−3	−2.5
COLT Telecom	925	−22½	−2.4
Marks & Spencer	408	−9¾	−2.3
Vodafone	970	−23	−2.3

RISES AND FALLS

	On Thursday Rises	On Thursday Falls	On Thursday Same	Over 4 days Rises	Over 4 days Falls	Over 4 days Same
British Funds	3	72	0	105	191	4
Other Fixed Interest	0	0	9	2	1	33
Mineral Extraction	21	26	107	114	251	280
General Manufacturers	106	52	338	540	305	1,132
Consumer Goods	51	34	209	267	169	740
Services	133	74	373	689	409	1,223
Utilities	7	22	20	86	62	68
Financials	60	51	274	375	282	883
Investment Trusts	204	27	348	953	241	1,122
Others	51	20	297	198	195	1,086
Totals	636	380	1,973	3,309	2,105	6,551

Data based on those companies listed on the London Share Service.

FT 30 INDEX

	Dec 24	Dec 23	Dec 22	Dec 21	Dec 18	Yr ago	*High	*Low
FT 30	3533.6	3555.1	3518.4	3536.4	3457.1	3278.0	4004.9	2790.6
Ord. div. yield	2.93	2.92	2.94	2.93	3.00	3.43	4.22	2.72
P/E ratio net	22.87	22.98	22.78	22.86	22.36	21.15	25.41	15.80
P/E ratio nil	22.77	22.88	22.69	22.77	22.27	20.86	25.19	15.71

FT 30 since compilation: high 4004.9 7/15/98; low 49.4 6/26/40. Base Date 1/7/35.

FT 30 hourly changes

9	10	11	12	13	14	15	16	High	Low
3555.1	3549.7	3536.4	3537.2	3533.6	-	-	-	3558.1	3531.8

FTSE - LEADERS & LAGGARDS

Percentage changes since December 31 1997 based on Thursday December 24 1998

Telecommunications	+94.03	FTSE All-Share	+10.46	Building Matls	-8.90
Tobacco	+49.01	Water	+9.73	Retailers, General	-9.84
Gas Distribution	+40.61	Banks, Retail	+6.82	FTSE Fledgling	-10.05
Pharmaceuticals	+32.09	Insurance	+6.38	FTSE Fledgling ex IT	-11.20
Support Services	+31.91	FTSE 350 Higher Yield	+5.84	FTSE SmallCap	-11.28
Consumer Goods	+23.74	Financials	+5.28	Gen Industrials	-11.37
Life Assurance	+23.64	Health Care	+4.13	FTSE SmallCap ex IT	-13.05
Utilities	+22.79	Investment Trusts	+3.75	Diversified Industrials	-13.28
Electronic & Elect Equip	+22.74	Media	+2.87	Extractive Industries	-13.70
Electricity	+22.27	FTSE 250	+0.53	Engineering	-16.50
Services	+20.56	Retailers, Food	+0.04	Property	-22.50
Alcoholic Beverages	+19.47	FTSE 250 ex IT	-0.04	Distributors	-27.11
Transport	+18.75	Oil, Integrated	-1.15	Chemicals	-28.41
FTSE 350 Lower Yield	+17.37	Engineering, Vehicles	-1.91	Household Gds & Txts	-31.62
FTSE 100	+14.25	Breweries, Pubs & Rest	-2.42	Paper, Pckg & Printing	-32.98
Food Producers	+13.75	Leisure & Hotels	-5.28	Oil Exploration & Prod	-60.98
Non-Financials	+12.50	Construction	-6.62		
FTSE 350	+11.88	RESOURCES	-7.81		

FTSE Actuaries Share Indices

The UK Series

[illegible]

■ FTSE Actuaries Industry Sectors

[illegible]

■ Hourly movements

[illegible]

[illegible]

LIFFE EQUITY OPTIONS

[illegible]

Option		Feb	May	Aug	Feb	May	Aug
BTR	110	[illegible]	22	[illegible]	[illegible]	[illegible]	12
(*113)	120	[illegible]	18	[illegible]	15	17	17½
Blue Circle	300	[illegible]	30½	46	11	25	28
(*316½)	330	[illegible]	20½	32	26	42	46½
Brit Aero	500	49	77	85	22	53½	61
(*517)	550	26	84½	72½	58½	75½	88
Brit Telecom	900	63½	82	117	51	78½	108½
(*906)	950	33½	70½	95½	80½	108	127
Cadbury Sch	1000	53½	130	167	49	77	103
(*1045)	1050	85½	104½	143½	59½	98	128½
Carlton Comms	500	64½	86½	96	15	31	32½
(*544½)	550	36	62	72½	38½	55	78½

Option		Feb	May	Aug	Feb	May	Aug
(*621)	650	38	40½	62½	50½	72	82
Tarmac	110	12½	16	19½	8	12½	13
(*114)	120	8½	11½	14	13½	18	19½
Tomkins	280	23½	31	41	21	28	35½
(*284)	300	15½	20½	32	32½	38½	46
Unilever	650	61½	70½	98	38	57	62½
(*668½)	700	36	54½	72	62½	81½	88½

* Underlying security price. Premiums shown are based on settlement prices.

December 24 Total contracts, Equity and Index options: 3,849 Calls: 1,696 Puts: 1,953

NEW 52 WEEK HIGHS AND LOWS

NEW HIGHS (37).

ALCOHOLIC BEVERAGES (1) Eldridge Pope, BLDG MATLS & MCHTS (1) Bullough, ELECTRICITY (1) Viridian, ELECTRNC & ELECT EQUIP (2) Fujitsu, Holdn Corp A, HEALTH CARE (1) Ferraris Group, HOUSEHOLD GOODS & TEXT (1) Shiloh, INVESTMENT TRUSTS (16) Aberdeen Pfd Zero Dv Pf, Assd Mngrs Zero Div Pref, Fleming Wrld Zero Dv Pref, Friends Provident Ethical Zero Pref, Gartmore British Zero Pref, Gartmore Scotland Zero Div Pref, Gartmore Shared Equity Zero Pref, Gartmore Strd Eq Senior Zero Div Pref, Geared Inc Secs Zero Div Gtd Pref, Guinness Flight Geared I&G Zero Dv Pf, Henderson Technology Trust, INVESCO Korea Trust, INVESCO Rec 2nd Zero Dv Pf, M & G Income Zero Div Pref, Murray Extra Return IT Inc, Second St David Zero Div Pf, LEISURE & HOTELS (1) Sunderland, PHARMACEUTICALS (2) Glaxo Wellcome, Goldshield, RETAILERS, GENERAL (3) Clinton Cards, Dixons (Nel) Div Conv Red Pref, Matalan, SUPPORT SERVS [illegible]

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

STOCK MARKET TRADING DATA

	Dec 24	Dec 23	Dec 22	Dec 21	Dec 18	Yr ago
SEAQ bargains	16,193	42,585	50,500	55,903	71,066	29,869
Equity turnover (£m)†	-	2256.0	44,633	49,981	3754.7	2302.2
Equity bargains†	-	39,270	2527.1	2767.6	52,551	38,642
Shares traded (m)†	-	924.0	771.3	753.7	969.2	980.8
Total market bargains‡	-	44,812	49,293	57,765	70,214	-
Total turnover (£m)‡	-	2585.2	2901.6	3370.5	4615.8	-
Total shrs traded (m)‡	*108.5	999.9	855.0	894.3	1148.3	-
Tradepoint turnover (£m)	0.4	4.3	9.2	9.5	8.7	1.8
Tradepoint shrs traded(m)	0.2	2.2	4.2	5.3	4.3	0.9

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover.

Authorised Investment Funds

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 50p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

AUTHORISED INVESTMENT FUNDS -

Unit Trusts and OEICs

(Open-ended investment companies).

ABN AMRO Fund Managers Ltd (0800)F

Aberforth Unit Trust Managers Ltd (1630)F

Britannia Fund Managers Ltd (1000)F

City Financial Managers - Contd.

Fidelity Investment Servs Ltd - Contd.

Gartmore Fund Managers - Contd.

Jupiter Unit Trust Managers Ltd (1400)F

M & G Securities - Contd.

[illegible]

Guide to pricing of Authorised Investment Funds

Compiled with the assistance of AUTIF §§

All funds within this section, whether OEICs or unit trusts are authorised in the UK by the Financial Services Authority

The prices quoted should only be used as a guide.

OEIC: Open-Ended Investment Company. Similar to a unit trust but using a company rather than a trust structure.

Share Classes: Separate classes of share are denoted by a letter or number after the name of the fund. Different share classes are issued to reflect a different currency, charging structure or type of holder.

Initial charge: Charges made by a unit trust manager/operator to the buyer. Used to defray marketing and administrative costs, including commission paid to intermediaries. For unit trusts this charge is included in the buying price of units. For OEICs see "OEIC Single Price".

Buying price: Also called offer price. The price at which units in a unit trust are bought by investors. Includes manager's initial charge.

Selling price: Also called bid price. The price at which units in a unit trust are sold by investors.

OEIC Single Price: Based on a mid-market valuation of the underlying investments. The buying and selling price for shares of an OEIC are the same. Manager's/operator's initial charges are shown separately.

Treatment of manager's periodic charge: The letter C denotes that the trust deducts all or part of the manager's/operator's periodic charge from capital, contact the manager/operator for full details of the effect of this course of action.

Exit charges: The letter E denotes that an exit charge may be made when you sell units, contact the manager/operator for full details.

Time: The time shown alongside the fund manager's/operator's name is the time of the unit trust's/OEIC's valuation point unless another time is indicated by the symbol alongside the individual unit trust/OEIC name.

The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

Pricing

Historic pricing: The letter H denotes that the managers/operators will normally deal on the price set at the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers/operators must deal at a forward price on request, and may move to forward pricing at any time.

Forward pricing: The letter F denotes that the managers/operators deal at the price to be set at the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers/operators.

Scheme particulars, key features and reports: The most recent report, scheme particulars and key features document may be obtained free of charge from fund managers/operators.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Association of Unit Trusts and Investment Funds,
65 Kingsway,
London, WC2B 6TD.
Tel: 0171-831-0898.

The fund prices published in this edition are also available at the Financial Times' web site, http://www.FT.com

FT MANAGED FUNDS SERVICE

Authorised and Insurances

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PROPERTY UNIT TRUSTS

OTHER UK UNIT TRUSTS

INSURANCES

Insurances, Money Markets and Other

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Family Assurance Friendly Soc Ltd (z)

17 West St, Brighton BN1 2RL 01273 724570

[illegible]

Homeowners Friendly Society Limited

[illegible]

M & G Life and M & G Pensions - Contd.

[illegible]

National Mutual

[illegible]

Prudential Corporate Pension Funds - Contd.

[illegible]

Scottish Legal Life Assurance Society Ltd

[illegible]

Skandia Life Assurance Co Ltd - Contd.

[illegible]

Winterthur Life UK Limited

[illegible]

MANAGEMENT SERVICES

[illegible]

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

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OFFSHORE AND OVERSEAS

BERMUDA
(FSA RECOGNISED)

BERMUDA
(REGULATED)(**)

CAYMAN ISLANDS
(REGULATED)(**)

GUERNSEY
(REGULATED)(**)

GUERNSEY
(FSA RECOGNISED)

IRELAND
(FSA RECOGNISED)

IRELAND
(REGULATED)(**)

ISLE OF MAN
(FSA RECOGNISED)

ISLE OF MAN
(REGULATED)(**)

JERSEY
(FSA RECOGNISED)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

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Newton Fund Mgrs - Contd.

JERSEY (REGULATED)(**)

LUXEMBOURG (FSA RECOGNISED)

ABN AMRO Funds (u)

Fleming Group - Contd.

Mercury Asset Management

Templeton Global Strategy Funds - Contd.

LUXEMBOURG (REGULATED)(**)

Citimarkets SA

Lombard Odier Selection

Storebrand Scudder Environmental Value Fd

TCW Luxembourg Funds

Target International Ltd

Templeton Emerging Asia

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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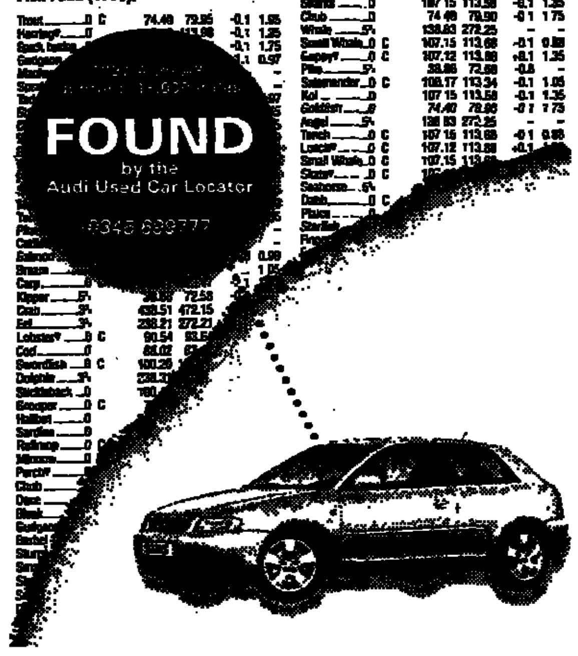
Fish Fund (1780)F

	Selling Price	Buying Price	+/-	Yield Gross
Trout ......0 C	74.40	79.85	-0.1	1.95
Tadpole ......0 C	97.32	103.54	-1.1	0.97
Sharks 0	107.15	113.58	-0.1	1.35
Club 0	74.40	79.90	-0.1	1.75
Whale 5¼	138.83	272.25	-	-
Small Whale ..0 C	107.15	113.68	-0.1	0.88
Guppy† ......0 C	107.12	113.88	+0.1	1.35
Pike 5¼	38.88	72.58	-0.8	-
Salamander ..0 C	108.17	113.34	-0.1	1.05
Koi 0	107.15	113.58	-0.1	1.35
Goldfish 0	74.40	79.86	-0.1	1.73
Angel 5¼	138.83	272.25	-	-
Kipper 5¼	[illegible]	72.58	[illegible]	[illegible]
Crab 3¼	438.51	472.15	[illegible]	[illegible]
Eel 3¼	238.21	272.21	[illegible]	[illegible]
Lobster† ....0 C	90.54	[illegible]	[illegible]	[illegible]
Cod 0	88.02	[illegible]	[illegible]	[illegible]



Europe 1992

Global Asset Management - Contd.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING MATS. & MERCHANTS

CHEMICALS

CONSTRUCTION

CONSTRUCTION - Continued

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Continued

FOOD PRODUCERS - Continued

GAS DISTRIBUTION

HEALTH CARE

ENGINEERING - Continued

HEALTH CARE - Continued

ENGINEERING, VEHICLES

HOUSEHOLD GOODS & TEXT

EXTRACTIVE INDUSTRIES

INSURANCE

FOOD PRODUCERS

INSURANCE - Continued

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Continued

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Continued

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Continued

[illegible]

PROPERTY - Continued

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Continued

[illegible]

TELECOMMUNICATIONS

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Continued

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

TRADED INDEX SECURITIES

[illegible]

AIM

Alternative Investment Market

[illegible]

AIM - Continued

[illegible]

GUIDE TO LONDON SHARE SERVICE

[illegible]

FT Free Annual Reports Club

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FT Cityline

[illegible]

The FT web site

[illegible]

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 23 / Sch)

BELGIUM/LUXEMBOURG (Dec 24 / Frs.)

CZECH REP (Dec 23 / Koruna)

DENMARK (Dec 23 / Kr)

FINLAND (Dec 23 / Mkk)

FRANCE (Dec 23 / Frs.)

GERMANY (Dec 23 / Dm.)

GREECE (Dec 24 / Drachma)

IRELAND (Dec 24 / Punt)

ITALY (Dec 23 / Lire)

NETHERLANDS (Dec 24 / Fls.)

NORWAY (Dec 23 / Kroner)

POLAND (Dec 23 / Zloty)

PORTUGAL (Dec 23 / Escudo)

SPAIN (Dec 23 / Pta.)

SWEDEN (Dec 23 / Kronor)

SWITZERLAND (Dec 23 / Frs.)

TURKEY (Dec 24 / Tk Lira)

PACIFIC

JAPAN (Dec 24 / Yen)

HONG KONG (Dec 24 / H.K.$)

INDONESIA (Dec 24 / Rupiah)

MALAYSIA (Dec 24 / MYR)

NEW ZEALAND (Dec 24 / NZ $)

SINGAPORE (Dec 24 / S$)

AUSTRALIA (Dec 24 / Aust$)

SOUTH KOREA (Dec 24 / Won)

TAIWAN (Dec 24 / TW $)

THAILAND (Dec 24 / Baht)

AMERICAS

CANADA

TORONTO (Dec 24 / Can $)
1 pm close

MONTREAL (Dec 24 / Can $)
1 pm close

MEXICO (Dec 24 / Peso)
12.30 pm

AFRICA

SOUTH AFRICA (Dec 24 / Rand)

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS	THURSDAY DECEMBER 24 1998								WEDNESDAY DECEMBER 23 1998					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (76)	194.14	-0.1	171.95	142.48	169.59	211.68	0.3	3.46	194.39	171.68	142.47	169.19	211.07	219.96	163.86	196.60
Austria (21)	178.48	-0.3	158.08	130.99	155.92	155.79	0.0	2.24	179.12	158.19	131.28	155.90	155.79	253.73	166.45	186.85
Belgium (22)	412.38	0.6	365.24	302.65	360.24	352.84	1.1	1.91	410.02	362.12	300.50	356.88	349.15	414.76	250.39	251.59
Brazil (32)	136.97	0.0	121.31	100.53	119.65	304.44	0.0	2.97	136.97	120.97	100.39	119.22	304.44	269.34	102.68	222.06
Canada (118)	197.81	0.6	175.20	145.18	172.80	221.99	0.3	1.75	196.68	173.70	144.15	171.19	221.25	248.78	159.94	206.50
Denmark (34)	498.54	-0.4	441.56	365.89	435.51	433.50	0.0	1.62	500.52	442.05	366.83	435.65	433.56	537.33	420.12	442.35
Finland (28)	571.27	-0.4	505.97	419.27	499.04	612.46	-0.1	1.49	573.65	506.63	420.43	499.30	612.78	573.65	287.59	274.44
France (75)	319.31	-0.3	282.81	234.35	278.94	281.95	0.0	2.22	320.25	282.84	234.71	278.74	281.95	345.18	225.24	233.31
Germany (55)	275.56	-0.4	244.06	202.24	240.72	240.72	0.0	1.35	276.57	244.26	202.70	240.72	240.72	325.61	218.59	226.88
Greece (36)	336.69	2.7	298.20	247.10	294.12	679.61	2.9	1.25	327.80	289.51	240.25	285.32	660.57	336.69	211.47	-
Hong Kong, China (67)	314.57	1.4	278.62	230.87	274.80	312.84	1.4	4.12	310.36	274.10	227.46	270.13	308.57	362.55	196.64	342.38
Indonesia (26)	51.70	-1.9	45.79	37.95	45.17	249.00	-0.6	1.23	52.69	46.53	38.61	45.86	250.48	67.21	19.04	61.95
Ireland (16)	540.52	0.9	478.74	396.70	472.18	515.24	1.2	1.89	535.79	473.19	392.68	466.35	508.91	560.44	388.13	388.30
Italy (53)	172.85	-0.3	153.08	126.86	150.99	214.78	0.0	1.30	173.46	153.20	127.13	150.98	214.78	184.49	115.27	115.27
Japan (445)	96.42	-1.0	85.40	70.76	84.23	70.76	-0.8	1.06	97.35	85.98	71.35	84.73	71.35	109.73	76.83	92.04
Mexico (29)	1148.54	0.8	1017.25	842.92	1003.32	12406.80	1.7	2.07	1139.18	1006.10	834.91	991.54	12199.91	1803.07	787.15	1689.50
Netherlands (26)	521.31	0.1	461.72	382.60	455.40	450.57	0.5	2.10	520.92	460.06	381.78	453.40	448.57	562.38	391.03	400.05
New Zealand (18)	60.79	1.8	53.84	44.61	53.10	61.72	2.0	4.73	59.74	52.76	43.78	52.00	60.52	77.84	45.68	73.39
Norway (37)	215.91	0.4	191.23	158.46	188.61	223.44	0.0	2.59	215.00	189.89	157.58	187.14	223.44	357.71	181.86	312.67
Philippines (22)	87.48	1.5	77.48	64.20	76.42	170.01	1.4	0.87	86.16	76.10	63.15	75.00	167.68	106.98	42.48	78.39
Portugal (18)	252.17	-0.4	223.34	185.07	220.28	297.35	0.0	1.11	253.08	223.51	185.48	220.28	297.35	299.39	194.13	-
Singapore (41)	216.54	0.6	191.79	158.92	189.16	165.15	0.6	1.72	215.33	190.17	157.81	187.42	164.13	246.74	102.45	227.99
South Africa (38)	176.79	1.7	156.58	129.75	154.44	228.57	1.5	4.14	173.80	153.50	127.38	151.27	225.28	346.20	151.55	283.24
Spain (30)	395.70	-0.4	350.47	290.41	345.67	428.67	0.0	1.88	397.37	350.94	291.23	345.86	428.57	417.73	268.03	268.82
Sweden (46)	506.04	-0.1	448.20	371.39	442.06	602.67	0.0	1.94	506.73	447.53	371.38	441.05	602.67	628.19	379.18	456.11
Switzerland (38)	414.74	-0.7	367.33	304.38	362.30	352.90	0.0	1.21	417.66	368.86	306.10	363.53	352.90	439.48	307.73	334.59
Thailand (35)	23.70	0.9	20.99	17.40	20.71	33.44	0.9	2.83	23.48	20.74	17.21	20.44	33.15	33.84	8.15	19.14
United Kingdom (207)	379.34	-0.9	335.98	278.40	331.38	335.98	-0.6	2.92	382.65	337.94	280.44	333.05	337.94	401.84	307.96	328.96
USA (619)	503.42	-0.1	445.87	369.46	439.77	503.42	-0.1	1.29	503.95	445.03	369.35	438.64	503.95	503.95	378.74	380.87
Americas (798)	446.90	-0.1	395.82	327.99	390.40	379.12	-0.1	1.32	447.26	395.01	327.80	389.29	379.44	447.26	343.40	346.03
Europe (734)	357.37	-0.5	316.52	262.28	312.19	323.42	-0.1	2.08	358.99	317.05	263.10	312.46	323.72	386.24	279.29	284.75
Eurobloc (344)	103.79	-0.2	91.93	76.18	90.67	98.13	0.1	1.75	104.01	91.86	76.23	90.53	97.98	113.28	81.53	-
Nordic (145)	487.68	-0.2	431.92	357.90	426.00	491.57	0.0	1.81	488.72	431.62	358.18	425.38	491.65	555.97	360.04	402.87
Pacific Basin (730)	104.58	-0.6	92.62	76.75	91.35	79.76	-0.5	1.59	105.24	92.94	77.13	91.60	80.14	119.48	82.88	102.41
Euro-Pacific (1464)	209.70	-0.5	185.73	153.90	183.18	171.21	-0.2	1.94	210.75	186.13	154.46	183.44	171.56	220.19	166.00	178.45
North America (737)	482.67	-0.1	427.50	354.24	421.65	484.02	-0.1	1.31	483.08	426.64	354.05	420.47	484.46	483.08	367.39	369.80
Europe Ex. UK (527)	334.22	-0.2	296.01	245.29	291.96	307.42	0.1	1.68	335.06	295.91	245.56	291.63	306.99	366.32	250.03	254.78
Europe Ex. Eurobloc (390)	97.16	-0.7	86.05	71.31	84.87	95.43	-0.3	2.43	97.85	86.42	71.71	85.17	95.77	103.83	77.40	-
Europe Ex. UK Ex. Eurobloc (183)	98.25	-0.4	87.02	72.11	85.83	93.90	0.1	1.44	98.62	87.10	72.28	85.84	93.79	109.21	75.16	-
Pacific Ex. Japan (285)	181.72	0.6	160.95	133.37	158.75	188.02	0.8	3.57	180.62	159.52	132.38	157.21	186.47	218.04	128.26	194.62
World Ex. Eurobloc (1956)	103.79	-0.3	103.31	90.57	98.02	102.17	-0.2	1.57	104.07	103.29	90.69	97.92	102.36	104.07	83.09	-
World Ex. US (1681)	208.79	-0.4	184.92	153.23	182.39	175.91	-0.2	1.96	209.69	185.20	153.69	182.52	176.19	221.91	165.96	182.16
World Ex. UK (2093)	296.54	-0.2	262.64	217.63	259.04	264.06	-0.1	1.45	297.10	262.39	217.74	258.59	264.26	298.02	234.66	238.34
World Ex. Japan (1855)	406.68	-0.2	360.19	298.47	355.26	395.04	-0.1	1.66	407.42	359.82	298.60	354.81	395.26	411.23	318.78	322.99
The World Index (2300)	303.66	-0.3	268.95	222.86	265.27	270.73	-0.1	1.60	304.45	268.88	223.13	264.99	271.08	306.56	242.08	246.00

 CONSTITUENT CHANGE 24/12/98: Name change: Rosedale Forest to [illegible] (Canada). CONSTITUENT CHANGE WITH EFFECT 28/12/98: Deletion: Cinram Group Cl. A (Canada). Markets closed 24/12/98: Austria, Brazil, Denmark, Finland, France, Germany, Italy, Norway, Portugal, Spain, Sweden and Switzerland.

Emerging markets: IFC Investable indices

Dollar terms

Dec 23 Market		Day's chg %	% Chg since 31/12/97
Latin America			
Argentina	821.83	+1.7	-26.3
Brazil	283.15	+0.3	-41.3
Chile	457.71	+0.2	-26.8
Colombia[1]	456.71	-1.4	-44.7
Mexico	483.84	+0.8	-38.6
Peru[2]	134.38	-0.2	-39.3
Venezuela[3]	441.60	+2.8	-51.7
East Asia			
China[4]	25.61	-3.4	-53.7
India[7]	62.15	-0.2	-25.4
Indonesia[8]	25.23	-2.1	-25.0
Korea[5]	51.18	+0.9	+113.0
Malaysia	88.68	+3.9	-4.9
Pakistan[9]	91.88	-2.0	-63.0
Philippines	118.79	+0.9	+5.4
Sri Lanka[10]	77.61	+0.3	-33.3
Taiwan, China[6]	120.47	-1.7	-14.6
Thailand	61.28		+30.3
Europe			
Czech Rep	90.15	+1.2	-8.4
Greece	587.93	+2.6	+81.5
Hungary[11]	285.34	+1.0	-9.3
Poland[12]	520.06	+2.5	-12.9
Portugal	287.24	+2.6	+36.1
Russia	23.56	-0.2	-84.2
Slovakia	44.07	+0.4	-55.6
Turkey[14]	140.82	+1.6	-54.9
Mideast/Africa			
Egypt	63.72	-0.2	-31.7
Israel	103.09	-0.3	-16.3
Jordan	210.87	-1.5	+0.3
Morocco	169.90	+0.8	+29.6
S Africa[15]	117.13	-0.2	-34.6
Zimbabwe[16]	104.48	+0.1	-58.5
Regions			
Composite	185.10	+0.4	-24.8
Latin America	426.75	+0.6	-37.0
Asia	106.36	-0.8	-1.3
EMEA	110.39	+1.1	-25.3
Europe	145.90	+2.1	-22.6
Eastn Europe	58.39	+1.2	-58.4
ME & Africa	51.29	-0.1	-28.3
Comp + Malay	187.67	+0.7	-23.7
Asia + Malay	107.09	+0.3	-0.6

Base date: Dec 1988=100 except those noted which are: (1)Feb 7 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1995; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

Latest indices were unavailable for this edition.

WORLD STOCK MARKETS

Dow poised to scale new peak by year-end

AMERICAS

Further small gains in the Dow Jones Industrial Average on Thursday left the index of blue-chip stocks positioned to end the year at a record high, *writes Tracy Corrigan in New York.*

The Dow gained 15.96 in quiet trading on Christmas eve to close at 9,217.99, not far from its record close of 9,374.27, set on November 23. The Dow's small gain was helped by a $2 9/16 surge in International Business Machines which closed at a record $187 11/16.

The broader Standard & Poor's 500 index fell 2.27 to 1,226.27 while the Nasdaq composite index, where internet stocks were again actively traded, fell 9.5 to 2,163.04.

Despite the correction in stock prices during the summer, the S&P is poised to turn in another strong performance for the year, up more than 20 per cent.

Traditionally, a return of more than 20 per cent in the S&P is supposed to herald a bear market. But since the market has returned more than 20 per cent for several years in a row – and even the most bullish analysts underestimated the market's 1998 performance – expectations for 1999 are for smaller but still positive returns.

According to a Reuters poll, Wall Street strategists predict a rise of less than five per cent in the Dow in 1999, and only 3.5 per cent for the Nasdaq and 2.3 per cent for the S&P.

Among data which could move the market ahead of the year-end are December consumer confidence numbers, due for release on Tuesday, and November leading indicators due on Wednesday.

Reports of heavy shopping on Saturday, when US Christmas sales started, are likely to lift retail stocks after a slow run-up to the holiday season blamed on unseasonally warm weather in the US between Thanksgiving and Christmas.

TORONTO closed firmer after light trade, with the TSE-300 index rising 18.19 or 0.28 per cent to 6,465.38.

Advancing stocks led declines 462 to 409 while ten of the 14 sub-indices edged upward, led by gold and precious minerals, 1.26 per cent higher.

Caracas edges higher

CARACAS closed higher on Thursday but trade was quiet ahead of the Christmas holiday.

The IBC index rose 0.86 per cent to 4,700.93 in volume of 609m bolivars.

Electricidad de Caracas rose 1.83 per cent to 237 bolivars after slipping earlier in the week to about 225 bolivars on reports that presidential advisers had delayed the approval of rate increases for regional electricity companies.

MEXICO CITY closed above the 4,000 level as a result of some year-end portfolio buying, said traders. The IPC index advanced 71 or 1.8 per cent to 4,001.

Jo'burg tracks US rally

SOUTH AFRICA

Johannesburg ran into the Christmas holiday on a strong footing, tracking the rally on US markets overnight and enjoying last-ditch efforts by mutual funds to dress up performances ahead of the year-end. The overall index rose 58.1 to 5,238.8 and industrials put on 59.5 to 6,051.9. Golds notched up their first gains of the week, with the index up 14.5 to 866.9 in spite of the weak bullion price. Banking and insurance stocks continued to rally on hopes of further cuts in interest rates.

Sustained recovery in Asia may have to wait

This year proved better than expected but prospects for 1999 are uncertain, writes Peter Montagnon

As 1998 began with the Asian crisis in full swing and no clear solution in sight, most people would have expected a bad year for the region's equity markets.

Yet calculated in dollars, the outturn has not been as bad as the gloom suggested. Across the region as a whole prices have ended about flat, as measured by the Ing Barings Securities Asia index, and within that, some countries have put on a sparkling performance.

South Korean stocks have risen about 50 per cent over the year as a whole, but in dollar terms the gain has been even more striking.

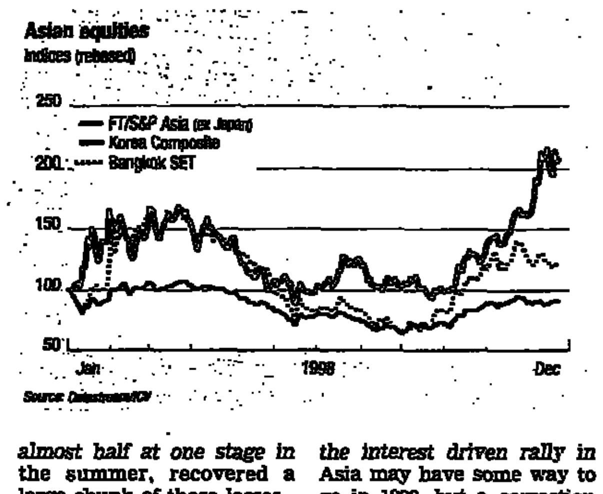
By mid-December they had actually doubled in price, a performance that far outshone Wall Street and was approached in Europe only by Finland. Thailand, too, has risen about 20 per cent in dollar terms.

The danger now, analysts say, is to assume that such a trend can continue, even though many argue the most violent part of the crisis is over. Economic recovery prospects are uncertain as Japan continues to struggle with its banking and deflation problems and other industrial economies start to slow down. There is also no real sign of a revival in corporate profitability.

"Markets are celebrating a collapse in interest rates, not a recovery in earnings," says Chris Wood, Asian regional strategist at ABN-Amro in Hong Kong.

Broadly speaking, Asian markets went through three phases in 1998. In the first couple of months, there was a strong rally, based on the belief that the lancing of Korea's immediate problems meant the authorities had the crisis under control. That was followed by a prolonged decline until October as the severity of the recession hit home. Then, after the dollar's sudden collapse against the yen, equity markets surged as local interest rates came down sharply.

Even markets which had previously not done so well saw a sharp recovery. Hong Kong, which had fallen by almost half at one stage in the summer, recovered a large chunk of those losses.



Source: Datastream/ICV

But the market is no longer particularly cheap, says Ian MacFarlane of Paribas Asia Equity in London. A trailing price/earnings ratio in the mid-teens looks good value by comparison with Wall Street's level of nearly 30, but it is way above historic lows and does not take account of the depressed prospects for earnings.

Mr MacFarlane believes the interest driven rally in Asia may have some way to go in 1999, but a correction will set in. Part of the gains reflect modest demand in thin volumes, he says. That means the correction could be equally violent although the most liquid markets like Hong Kong might outperform in that environment.

Analysts say there is unlikely to be a sustained recovery in the Asian markets until the region's banks have been restored to health and a recapitalised corporate sector again has access to credit. The recent failure of Thailand's big property auction shows just how much remains to be done.

Similarly, in South Korea the chaebol have a long way to go to restructure and bring down their heavy gearing. That could involve a spate of rights issues and further strains on the banking system as loans are written off or converted into equity. A sense of impending supply pressure was born out at the end of the year as the market turned weaker on the pending listing of Korea Telecom.

In many markets volatility is likely to be the order of the day. Though big US institutions have shown recent interest in Asia, it is patchy and the mutual fund industry remains cautious. Because of that investors are likely to become very choosy about individual stocks.

Not all analysts are so gloomy. Neil Saker of SG Securities in Singapore believes growth will have returned to the region by the fourth quarter. Equity markets will rise over the year, he says, though the ride will be rough, and one market which could still face trouble is Hong Kong.

Many analysts remain cautious about Hong Kong. There is further adjustment to come in the property market; China's short-term prospects are uncertain: and the image of the market has been tarnished by the government's intervention at the peak of the exchange rate pressure in August.

"Hong Kong went into the downturn later than everybody else. It'll come out later than everybody else," says Mr MacFarlane.

Still, compared with Latin America, Asia still has some advantages. It is further down the economic cycle, government budgets are in better shape and the current account balance of payments is in strong surplus. While growth remains elusive, though, all that may be grounds for buying bonds rather than equities.

Tokyo ends losing streak with Christmas rally

ASIA PACIFIC

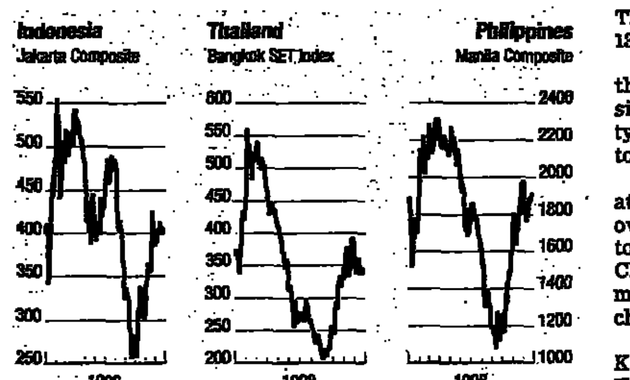
Japanese equity markets caught their breath on December 24 and 25 after the earlier rout in government bonds, *writes Paul Abrahams in Tokyo.*

Not even the banking regulator's report that the banks had understated their bad loans and Standard & Poor's decision to downgrade many of the banks' debt could generate much selling pressure.

On December 24, the benchmark Nikkei 225 index closed down 72 at 13,706 after trading between 13,657 and 13,815. The Nikkei 300 weighted average fell 1.85 to 213.56 and the Topix index of all first-section shares slipped 8.28 to 1,074.

Volumes were low, with just 315m shares traded. The momentum was down with 778 stocks falling, 318 up and 208 unchanged.

On Christmas day, the market ended a three-day losing streak. The Nikkei 225 index closed up 91 or 0.67 per cent at 13,797 after trading between 13,918 and 13,768. The Nikkei 300 rose 0.8 per cent or 1.72 to 215.28, and the Topix index 0.8 per cent or 8.78 to 1,082.9. Volumes stayed subdued with just 227m shares traded.



Source: Datastream/ICV

The banking sector recovered 1.5 per cent on greater stability in the bond market. Sakura Bank was up Y14 at Y270, Mitsui Trust Y14 at Y134 and Fuji Bank, whose debt avoided a downgrade by S&P, advanced Y12 at Y431.

Sakurada, the construction group, which admitted it had suffered Y10.3bn worth of derivatives losses, fell 29 per cent or Y50 to Y121.

Fujita, another construction company which has asked its creditors to forgive some of its debts, rose Y3 to Y63 on newspaper reports that it would cut its staff.

On Christmas eve, **HONG KONG** closed 1.3 per cent higher but in low turnover. The Hang Seng index put on 183.45 to 10,292.20.

Turnover of HK$1.5bn was the lowest half-day trade since August 1995 when a typhoon forced the exchange to close at midday.

The morning's rise was attributed to Wall Street's overnight performance and to Hong Kong leader Tung Chee-hwa's supportive comments on Cheung Kong chairman Li Ka-shing.

Mr Li's flagship Cheung Kong added 75 cents to HK$58 and Hutchison Whampoa jumped HK$1.75 to HK$55.75.

On Wednesday, shares in the two came under selling pressure after Mr Li's disclosure that he had been deterred from participating in a HK$10bn project in Hong Kong because of the political environment.

WELLINGTON closed in buoyant mood with the NZSE-40 index up 1.7 per cent or 35.70 to a five-month high of 2,125.60. The market was driven by Wall Street's overnight performance on top of Wednesday's strong domestic GDP figures.

MANILA registered gains as investors bought selected, quality blue chips that have potential for upward movement in the new year. The composite index climbed 21.69 to 1,932.15, but in thin trade of 1.1bn pesos. Index heavyweight conglomerate Ayala rose 4.2 per cent or 50 centavos to end at 12.50 pesos. Its property unit, Ayala Land, added 25 centavos to 11.25 pesos.

BANGKOK finished higher in quiet trade on Christmas day with the SET index rising 9.23 or 2.66 per cent to 356.16 after a 2.66 point gain on Thursday.

Amsterdam advances

EUROPE

The few European bourses open on Christmas eve moved into the holiday on a mostly firm note at the end of a quiet session.

AMSTERDAM ended a touch higher with most heavyweights extending gains of the previous days.

The AEX index finished up 4.47 at 1,174.13 but analysts cautioned that the index was likely to meet resistance at around 1,200.

Investment bank NIB soared 28.8 per cent to Fl 63.10 after the two biggest Dutch pension funds, ABP and PGGM, launched a bid for the bank, offering Fl 66 for each of the Dutch government's A shares.

BRUSSELS was quiet but the Bel-20 index closed up 44.37 or 1.3 per cent at 3,503.31.

Analysts said that although the Bel-20 had nudged back towards the record closing high of 3,614.82 set on July 22, it appeared unlikely to revisit that territory before the end of the year.

LONDON STOCK EXCHANGE - DEALINGS

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

The data is delivered by Extel, part of Financial Times Information.

Details relate to those securities not included in the FT Share Information Services. The prices are those at which the business was done in the 24 hours up to 5.15pm on Thursday, they are not in order of execution but in ascending order which denotes the day's highest and lowest trades. For those securities in which no business was recorded in Thursday's Official List, the latest recorded business in the four previous days is given with the relevant date. The size of individual deals are rounded to the nearest thousand and represented within parentheses, where available. ‡ Bargains at special prices. * Bargains done the previous day

British Government Stocks

Annuities 2½% - 133 5 (17De98)

UK Treasury Strips

UK Treasury Strip 07Jun1999Cpn - 97.593781
UK Treasury Strip 07Dec1999Cpn - 95.284214
UK Treasury Strip 07Jun2000Cpn - 92.979415
UK Treasury Strip 07Dec2000Cpn - 90.939357
UK Treasury Strip 07Jun2001Cpn - 88.942343
UK Treasury Strip 07Dec2001Cpn - 87.116801
UK Treasury Strip 07Jun2002Cpn - 85.425549
UK Treasury Strip 07Dec2002Cpn - 83.757794
UK Treasury Strip 07Jun2003Cpn - 82.341079
UK Treasury Strip 07Dec2003Cpn - 80.73232
UK Treasury Strip 07Jun2004Cpn - 78.573823
UK Treasury Strip 07Dec2004Cpn - 76.815447
UK Treasury Strip 07Jun2005Cpn - 74.951985
UK Treasury Strip 07Dec2005Cpn - 73.381511
UK Treasury Strip 07Jun2006Cpn - 71.708699
UK Treasury Strip 07Dec2006Cpn - 70.077757
UK Treasury Strip 07Jun2007Cpn - 68.812531
UK Treasury Strip 07Dec2007Cpn - 67.378637
UK Treasury Strip 7¼% 07Dec2007Principal - 67.588855 (21De98)
UK Treasury Strip 07Jun2008Cpn - 65.798689
UK Treasury Strip 07Dec2008Cpn - 64.256742
UK Treasury Strip 07Jun2009Cpn - 62.871191
UK Treasury Strip 07Dec2009Cpn - 61.469052
UK Treasury Strip 8% 07Dec2015Principal - 4.47 (23De98)
UK Treasury Strip 8% 07Jun2021Principal - 38.130012 (21De98)

UK Public Boards

Forth Ports Authority 3¾% Funded Debt - 73 (18De98)
Metropolitan Water 3% 'A'£6 83/2003 - 91 (17De98)
Port of London Authority Port of London 3¼% Stk 49/99 - 99¼ (23De98)

Foreign Stocks, Bonds etc- Coupons Payable in London

BAA PLC 5¾% Cnv Bds 2008 - 129¾ (22De98)
Chubu Electric Power Co Inc 6¾% Nts 10/08/99 £ (Var) (Br) - 100.38 (18De98)
Compass Group PLC 5.75% Cnv Bds 2007 £ (Var) - 170¾ .38.1 .08 2¼ (18De98)
First Active PLC 11.75% Sub Bds - 185 (21De98)
Great Portland Estates PLC 5¾% Cnv Bds 2008 £ (Var) - 90¾ (21De98)
HSBC Hldgs PLC 9¾% Sub Bds 08/04/18 £ (Var) (Br) - 125.95 (22De98)
Land Securities Finance (Jersey) Ltd 6% Gtd Cnv Bds 2007 (Reg) - 108¾ (21De98) ½ (21De98)
National Westminster Bank PLC 11½% Und Sub Nts (Cnv to Prf) (Br) - 151 (22De98)
National Westminster Bank PLC 11½% Und Sub Nts £1000 (Cnv to Prf) - 1.51 151 (21De98)
SmithKline Beecham Capital Inc 8¾% Bds 29/12/00 £1000 (Br) - 104.78 (18De98)
Tarmac Finance (Jersey) PLC 9½% Cnv Cap Bds 04/04/06 (Reg) - 108 7 (23De98)
United News & Media PLC 6¾% Sub Cnv Bds 2003 (Reg) - 100½ 2½ (18De98)
United News & Media PLC 6¾% Sub Cnv Bds 03/12/03 £ (Var) (Br) - £0.989853 .990403 (18De98)

Debt Issuance Programmes

Abbey National Treasury Servs PLC Gtd Flg Rte Nts 3/99 $ (Var) (Br) - $99.94921875 (23De98)
Bradford & Bingley Building Society Coll Flg Rte Nts 02/2003 £ (Reg) - £103 (17De98)
Nestle Holdings (UK) PLC 8.75% Nts 25/02/00 - 101 (18De98)

Sterling Issues by Overseas Borrowers

Denmark (Kingdom of) 13% Ln Stk 2005 - 143 (18De98)
European Investment Bank 9% Ln Stk 2001 (Reg) - 109 (22De98)
Iceland (Republic of) 14½% Ln Stk 2016 - 196¾ (23De98)
International Bank for Rec & Dev 9¾% Ln Stk 2010 (Reg) - 139 (22De98)
International Bank for Rec & Dev 11.5% Ln Stk 2003 - 127.2 (23De98)
New Zealand 11¼% Stk 2008 (Reg) - 142¾ (18De98)
Petroleos Mexicanos 14½% Ln Stk 2006 - 112¾ (22De98)

Listed Companies (excluding Investment Trusts)

Abbey National PLC 10⅜% Non-Cum Stg Prf Shs £1 - 159¾ (22De98) .625 (23De98)
Abbey National PLC 8⅝% Non-Cum Stg Prf £1 - 134¾ (23De98) .375 (23De98)
Aberdeen Asset Management PLC 'A'Wts to Sub for Ord - 48 50 (17De98)
ABF Investments 5½% Uns Ln Stk 87/2002 50p - 40 (21De98)
ABF Investments 7½% Uns Ln Stk 87/2002 50p - 40 (21De98)
Adscene Group PLC 7.8% (Net) Sar'2'Cnv Prf Shs £1 - 89 (18De98)
Aggregate Industries PLC 11.25p Cum Red Prf 2005 10p - 123¾ 4¾ (17De98)
Aggregate Industries PLC 7.25p (Net) Cnv Cum Red Prf 25p - 103¾ 6 (22De98)
Aldours PLC Sub Cnv Bds 2004 - 102½ (194) ¾ (23De98) 3 (15) 3 (23De98)
Albert Fisher Group PLC ADR (10:1) - 0.694 (18De98)
Alexon Group PLC 6.25p (Net) Cnv Cum Red Prf 10p - 68.38 9 .48 ½ (23De98)
Allied Domecq PLC ADR (1:1) - 8.35 (22De98)
Allied Domecq PLC 9¾% Deb Stk 2019 - 134¾ (21De98) 5 (23De98)
Alvis PLC 5.5% Cnv Cum Non-Vtg Red Prf £1 - 96¾ 7 (23De98)
Anglian Water PLC 'B' Shs 55p - 48 50 (23De98)
Anglian Water PLC 5⅝% Index-Lnkd Ln Stk 2008 - 169 5¾ (21De98)
Arcadia Group PLC 8% Uns Ln Stk 98/2001 - 98 9¾ (22De98)
Asda Property Hldgs PLC 10⅝% 1st Mtg Deb Stk 2011 - 141 (18De98)
Austin Reed Group PLC 8% Cum Prf £1 - 103 (21De98)
BAA PLC ADR (1:1) - 11.31 (22De98)
Bailey (C.H.) PLC Ord 10p - 7 (17De98)
Bampton Hldgs Ld 8¾% Uns Ln Stk 2002/2007 - 89 (23De98)
Bank of Ireland (Governor & Co of) PLC Non-Cum Prf A£1 & £9 Liquidation - 18 (22De98)
Barclays Bank PLC 12% Uns Cap Ln Stk 2010 - 149 (17De98)
Barclays Bank PLC 16% Uns Cap Ln Stk 2002/07 - 133 (23De98)
Barclays PLC ADR (4:1) - 90 (21De98)
Bass PLC 'B' Shs 95½p - 93 (23De98) 3 (23De98)
Bass PLC ADR (1:1) - 13.75 .875 4 (21De98)
Bass PLC 10¾% Deb Stk 2016 - 180 (23De98) 80 (23De98)
Beradin Hldgs PLC 5p - 33 (17De98)
BG PLC ADR (5:1) - 33.25 (17De98)
Biocompatibles International PLC Wts to Sub for Ord - 6 (15, 1)
Bioglan Pharma PLC Ord 5p - 280 ½ 2 4 (23De98)
Birmingham Midshires Building Soc 9¾% Perm Int Bearing Shs £1000 - 143 5 (22De98)
Blacks Leisure Group PLC 10% Cum Prf £1 - 120 (23De98)
BLP Group PLC 8p (Net) Cnv Cum Red Prf 10p - 81 (21De98)
Blue Circle Industries PLC ADR (1:1) - 5.31 (22De98)
Blue Circle Industries PLC 5¾% 2nd Deb Stk 84/2009 - 101 (22De98)
BOC Group PLC ADR (2:1) - 29.49 (23De98)
BOC Group PLC 12¾% Uns Ln Stk 2012/17 - 157 (21De98)
Boots Co PLC ADR (2:1) - 33 4.125 (21De98)
Bournemouth & West Hampshire Water PLC 8.5% Cum Ind Pref £1 - 139 (23De98)
Bradford & Bingley Building Society 11⅝% Perm Int Bearing Shs £10000 - 183 (21De98)
Bradford Property Trust PLC 10⅝% Cum Prf £1 - 140 (17De98)
Brent International PLC 9% Cum Red Prf £1 - 112 (17De98)
Bristol & West PLC Prf £1 - 121½ (23De98) ½ (23De98) ½ (23De98) ½ (23De98) ½ (23De98) ½ (23De98) ½ (23De98) 5 (23De98)
Bristol & West PLC 13⅜% Uns Perp Sub Bds - 193¾ (23De98) ¾ (23De98)
Bristol Water PLC 8¾% Cum Ind Prf £1 - 152¾ (22De98)
Britannia Building Society 13% Perm Int Bearing Shs £1000 - 197 (23De98) 8 (23De98) 8 (23De98) 8 (23De98)
British Airways PLC ADR (10:1) - 68.5 (23De98)
British Petroleum Co PLC ADR (6:1) (Each Cnv into 6 Ord 25p) - 89.8125 (16, 6) .875 (23) 90.375 (23De98) .5 (23De98) .5 (23De98) .5 (23De98) .505 (34) .559 (67) * .5625 (5) .5814 (33) .8875 (23De98) .75 (23De98) .983 (23De98) 1.5 (23De98) 2.003 (42) .12 (25)
British Petroleum Co PLC 8% Cum 1st Prf £1 - 117 9 (21De98)
British Sky Broadcasting Group PLC ADR (6:1) - 46.99643 (1) 7.1234 (5)
British Steel PLC ADR (10:1) - 14.5625 (2) .5625 (23De98) .625 (18) .8125 (23De98) * .999 (15) 5.095 (9)
British Sugar 10¾% Red Deb Stk 2013 - 148.83 9.13 (17De98)
British Telecommunications PLC ADR (10:1) - 149.375 .5
BTR PLC ADR (4:1) - 8.255 (23De98)
BTR PLC Non-Cum Red Prf Shs 36½p - 33 (23De98) 3 (23De98) 3 (23De98) 3 (23De98) 3 (23De98) 3 (23De98) 3 (23De98) 3 (23De98) 3 (23De98) 5 (23De98)
Bulmer (H.P.) Hldgs PLC 8¾% 2nd Cum Prf £1 - 126 (22De98)
Bulmer (H.P.) Hldgs PLC 9½% Cum Prf £1 - 125 (17De98)
Burmah Castrol PLC ADR (2:1) - 29.9 (17De98)
Cable & Wireless Communications PLC ADR (5:1) - 45.9375 (10) 6.33 (23De98)
Cadbury Schweppes PLC ADR (4:1) - 69.56016867 (1)
Capital & Counties PLC 9¾% 1st Mtg Deb Stk 2027 - 155.72 (22De98)
Caradon PLC 'B'Shs £1 - 92 (23De98)
Carlton Communications PLC ADR (5:1) - 45.99846608 (5)
Carlton Communications PLC 5.5p (Net) Cum Cnv Prf - 151¾ (23De98) 2 (23De98)
Caskel PLC 10.25% Cum Prf £1 - 75 (17De98)
Celtic PLC 6% Cov Cum Prf 60p - 210 (23De98)
Cgu PLC 8¾% Cum Ind Prf £1 - 148¾ (23De98) ¾ (23De98)
Cgu PLC 8⅞% Cum Irr Prf £1 - 153 (23De98) 3 (23De98) .125 (23De98)
Cheshire Building Society Flg Rte Perm Int Bearing Shs - 101 5 (18De98)
City Site Estates PLC 5.25% Cnv Cum Red Prf £1 - 55 (18De98)
Coats Patons Ld 6¾% Uns Ln Stk 2002/07 - 90 (22De98)
Coats Viyella PLC 4.9% Cum Prf £1 - 77 (17De98)
Coats Viyella PLC 6¾% Snr Cnv Bds 09/08/03 £1000 (Rg) - 83 4 (17De98)
Consolidated Coal PLC 8.5% Cnv Red Cum Prf £1 - 58 (18De98)
Cookson Group PLC 7% Cnv Bds 2/11/2004 (Rg) - 97¾ (23De98)
Co-Operative Bank PLC 9.25% Non-Cum Ird Prf £1 - 155¾ (23De98) ½ (22De98) 7 (23De98)
Coventry Building Society 12⅛% Perm Int Bearing Shs £1000 (Regd) - 187 (23De98) 7 (23De98)
Daily Mail & General Trust PLC Ord 50p - 2450 (23De98)
De Beers Centenary Finance PLC 8¼% Ln Stk 2009 - 107 (21De98)
Debenhams Retail PLC 7½% Uns Ln Stk 2002/07 - 102 (23De98)
Debenhams Retail PLC 7¾% Uns Ln Stk 2002/07 - 102 (23De98) 2 (23De98)
Dewhurst PLC Ord 10p - 64 (23De98)
Diageo PLC ADR (4:1) - 46.5 (23De98) .5625 (23De98) .625 (23De98) .75 (23De98) .75 (23De98) .99643306 (13) .99643333 (12) 7.49841833 (20) .49841667 (5) 8.24838 (1) .24938571 (1)
Dixons Group PLC ADR (3:1) - 39.22 (21De98)
Dragon Oil PLC Wts to Sub for Ord IEP0.25 - 2 (23De98)
East Surrey Hldgs PLC 7.8% Cum Ird Prf £1 - 131 (21De98)
Ecclesiastical Insurance Office PLC 8.625% Non Cum Ird Prf £1 - 132 (23De98)
Elsevier NV NLG1.00 - NG25.85 (18De98)
Enterprise Oil PLC 10⅜% Uns Ln Stk 2013 - 140 (23De98)
Environmental Investment Company Ld Zero Div Prel Shs 1p - 127½ (23De98)
Estates Property Investment Co Ld 10% 1st Mtg Deb Stk 2011 - 117 (17De98)
Falcon Hldgs PLC Ord 5p - 142 (18De98)
Feedback PLC 10% Cnv Red Prf Shs £1 - 84 (22De98)
Financial Objects PLC Ord 2p (144A) - 240 (22De98)
First Active PLC Ord IEP0.25 - 310 (1)
First Debenture Finance PLC 11.125% Severally Gtd Deb Stk 2018 - 165½
Flare Group PLC Wts to Sub for Ord - 2.6 (21De98)
Folkes Group PLC Ord 5p - 59 (22De98)
Fortnum & Mason PLC Ord 5p - 500 (22De98)
Friendly Hotels PLC 7% Cnv Cum Red Prf £1 - 96 (17De98)
Gallaher Group PLC ADR (4:1) - 27.875 .987 8.118 (22De98)
Garban PLC Ord 50p - 229 (0) 30 (5, 9, 0) 30 (23De98) 1½ (18De98)
General Accident PLC 7⅞% Cum Ird Prf £1 - 141½ (22De98)
General Accident PLC 8⅞% Cum Ird Prf £1 - 156½ (23De98) 7¼ (23De98)
General Electric Co PLC ADR (1:1) - 9.18 (23De98)
GKN PLC ADR (1:1) - 12.44 (22De98)
Glaxo Wellcome PLC ADR (2:1) - 67.25 8.497717 (22De98)
Great Portland Estates PLC 7.25% 1st Mtg Deb Stk 2027 - 124.17 (22De98)
Great Portland Estates PLC 9.5% 1st Mtg Deb Stk 2016 - 144 (23De98)
Great Portland Estates PLC 10⅝% 1st Mtg Deb Stk 2021 - 167 (17De98)
Greenalls Group PLC 7% Cnv Subord Bds 2003 £1 (Regd) - 103 (23De98) 3 (23De98) 3 (23De98)
Greenalls Group PLC 8% Cum Prf £1 - 115 (17De98)
Greenalls Group PLC 10¼% Deb Stk 2017 - 156½ (21De98)
Greenalls Group PLC 11½% Deb Stk 2014 - 160¾ (18De98)
Haco Ld 10⅝% Several Deb Stk 2017 - 151.745 (17De98)
Halifax PLC 12% Perp Sub Bds £ - 173¾ 6 (21De98)
Halifax PLC 13⅝% Perp Sub Bds £ - 213½ (21De98)
Hanson PLC ADR (5:1) - 39.3125 (2)
Heart of Midlothian PLC Ord 10p - 85 (22De98)
Hillsdown Hldgs PLC ADR (4:1) - 4.8 (22De98)
HSBC Hldgs PLC 11.69% Subord Bds 2002 £1 (Reg) - 104 (23De98) 15 (23De98)
IAF Group PLC Wts to Sub for Ord - 20 (21De98)
Iceland Group PLC Cnv Cum Red Prf 20p - 180 (18De98)
Imperial Chemical Industries PLC ADR (4:1) - 35.5 (23De98) .6 (23De98) .625 (2, 20, 15) .625 (23De98) .75 (23De98) .75 (23De98) .75 (23De98) .75 (23De98) .875 (23De98) .875 (23De98) 6.1 (23De98) .2 (23De98)
India Fund 'B'Shs - p82 (21De98)
Investment Co PLC Ptg Pref 50p - 119½ (21De98)
Jarvis Group PLC Ord 25p - 40 (17De98)
Jersey Electricity Co Ld 'A'Ord £1 - 28 (23De98)
Johnson Service Group PLC 7.5p (Net) Cnv Cum Red Prf 10p - 125 (21De98)
Kingfisher PLC ADR (2:1) - 21.33 (22De98)
Kvaerner PLC 9⅛% Uns Ln Stk 2000/05 - 70 (21De98)
Lamont Hldgs PLC 10% 3rd Cum Prf £1 - 120 (17De98)
Land Securities PLC 7% Cnv Bds 30/9/2008 £1000 (Rg) - 120 (17De98)
Leeds & Holbeck Building Society 13⅜% Perm Int Bearing Shs - 201 (23De98) 2 (15De98) 5 (23De98)
Legal & General Group PLC 6¾% Cnv Subord Bds 30/4/08 £1000 (Rg) - 342 (23De98)
Leslie Wise Group PLC Ord 20p - 8 9½ (23De98)
Lewis (John) Partnership PLC 5% Cum Prf Stk £1 - 95 (21De98)
Liberty International Hldgs PLC 5¾% Sub Cnv Bds 30/4/2009 £1 (Regd) - 104 (18De98)
Liberty PLC 6% Cum Prf £1 - 40 (23De98)
London International Group PLC ADR (5:1) - 19 (17De98)
Marks & Spencer PLC ADR (6:1) - 40.92 (22De98)
Marley PLC 'B' Shs 11 5/7p - 10 (23De98)
McAlpine (Alfred) PLC 9% Cum Prf £1 - 125 (21De98)
Medeva PLC ADR (4:1) - 6.94 (17De98)
MEPC PLC Non-Cum Red Prf 'B' Shs 98p - 87 (23De98) 7 (23De98) 7 (23De98) 7 (23De98) 7 (23De98)
MEPC PLC 8% Uns Ln Stk 2000/05 - 98 (23De98)
Merchant Retail Group PLC 8¾% Uns Ln Stk 99/2004 - 85 (21De98)
Mersey Docks & Harbour Co 6¾% Red Deb Stk 96/99 - 85 6½ (21De98)
Mucklow (A. & J.) Group PLC 7% Cum Prf £1 - 80 (18De98)
National Grid Company PLC 4¼% Exch Bds 2008 £1000 (Reg) - 126¾ (21De98)
National Grid Company PLC 4¼% Exch Bds 2008 £1000 (Br) (Reg S) - £125 (23De98)
National Power PLC ADR (4:1) - $34.81 (23De98) .936336 (23De98) 5.248825 (23De98) 6.25 (23De98)
National Westminster Bank PLC ADR (6:1) - 116.625 (23De98)
National Westminster Bank PLC 9% Ser'A'Non-Cum Prf £1 - 158¾ (23De98) ½ (23De98) ½ (23De98) ½ (23De98) 7 (23De98) ¾ (23De98)
National Westminster Bank PLC 12½% Subord.Uns Ln Stk 2004 - 132 (21De98)
NEC Finance PLC 13¾% Deb Stk 2016 - 188 (21De98)
Newcastle Building Society 10¾% Perm Int Bearing Shs £1000 - 169 (22De98)
Newcastle Building Society 12⅝% Perm Int Bearing Shs £1000 - 197 (23De98) 7 (23De98) 8 (23De98)
Northern Foods PLC 6¾% Cnv Sub Bds 08/08/08 £1000 (Rg) - 100⅞ (23De98) ½ (23De98) ½ (23De98) ½ (23De98)
Ocean Group PLC B Shs 65¾p - 68 (4)
OEM PLC Ord 25p - 32 4 (22De98)
Orange PLC ADR (5:1) - 57.75 (23De98) 8.02 (5) .1 (6) .18 (10)
Panther Securities PLC Wts to Sub for Ord - 28 (22De98)
Paterson, Zochonis PLC 10% Cum Prf £1 - 145½ (17De98)
Peel Hldgs PLC 9¾% 1st Mtg Deb Stk 2011 - 130.6 (21De98)
Peel South East 10% 1st Mtg Deb Stk 2026 - 151 (21De98)
Peninsular & Oriental Steam Nav Co 7¼% Cnv Bds 19/8/03 £1000 (Regd) - 112¾ (22De98)
Perkins Foods PLC Red Prf 'B' Shs £1 - 91 (22De98)
Perkins Foods PLC Cnv Red Prf 12.5p - 124 (23De98)
Portsmouth & Sunderland News PLC 11.5% 2nd Cum Prf £1 - 155 (18De98)
PowerGen PLC ADR (4:1) - 53.7482 (3)
PPL Therapeutics PLC New Ord 50p (FP/PAL - 12/01/99) - 75 (21De98)
Premier Farnell PLC ADR (2:1) - 5 (23De98) 5 (23De98)
Premier Farnell PLC ADR (1:1) (Cum Cnv Prf) - 17 (17De98)
Premier Farnell PLC 89.2p Cum Cnv Red Prf (Sterling Coupon) - 10¾ (23De98)
Queens Moat Houses PLC 10¾% 1st Mtg Deb Stk 2020 - 127 (21De98) 7 (21De98) 7 (21De98) ¾ (21De98) 8.34 (17De98) .34 (17De98)
Racal Electronics PLC ADR (2:1) - 11.36 (22De98)
Rao Gazprom ADS (Repr 10 Ord Rur10) (144A) - 59 (17De98)
R.E.A.Hldgs PLC 9% Cum Prf £1 - 80 (23De98)
Reckitt & Colman PLC 5% Cum Prf £1 - 81 (22De98)
Reed International PLC 3.15% (fmly 4½%) Cum Red Prf £1 - 70 (22De98)
Regal Hotel Group PLC Cnv Cum Red Prf 2001 £1 - 96 (23De98) 8 (23De98)
Retail Corp PLC 4.55% (fmly 6½%) Cum Prf £1 - 75 (22De98)
REXAM PLC 'B' Shs £1 - 93 (2, 14, 0) 4 (11)
Rio Tinto PLC 3.325% 'A'Cum Prf £1 - 85 (16De98)
Rolls-Royce PLC ADR (5:1) - 20.11 (21De98)
Rotork PLC 9½% Cum Prf £1 - 124 (22De98)
Royal & Sun Alliance Ins Group PLC 7⅜% Cum Ird Prf £1 - 131¼ (22De98) ¼ (21De98) ¼ (23De98) ¼ (23De98) ¼ (22De98) ¼ (23De98) .375 (23De98)
Royal Bank of Scotland Group PLC 5½% Cum Prf £1 - 88 (22De98)
Ryanair Holdings PLC Ord IEP0.04 - p379 (22De98) 425 (0, 1)
Sanctuary Group PLC Wts to Sub for Ord - 3¾ (23De98)
Scottish Media Group PLC 6.50% Cnv Uns Ln Stk 2007 - 118 (22De98)
Scottish Power PLC ADR (4:1) - 43.125 (21De98)
Severn River Crossing PLC 6% Index-Linked Deb Stk 2012 - 157¾ 8¾ (21De98)
Severn Trent PLC 'B' Shs 38p - 31 (1)
Shaw (Arthur) & Co PLC Ord 0.1p - 1.25 (23De98)
Shell Transport & Trading Co PLC Ord 25p (Br) - 355 (17De98)
Shell Transport & Trading Co PLC ADR (6:1) - 37.529 (23De98)
Shoprite Group PLC Ord 5p - 18.0625 .125 (22De98)
Skipton Building Society 12⅞% Perm Int Bearing Shs £1000 (Regd) - 202 (23De98) 5 (23De98)
SkyePharma PLC 'B' Warrants - 4½ (22De98)
SmithKline Beecham PLC ADR (5:1) - 67.5727372 (25) .99773393 (3) 8.0625 (23De98) * .3125 (10) .49771648 (47) .85 (16) .865 (23De98) 9 (23De98)
Smith (W.H.) Group PLC Non Cum Red Prf Shs 53.75p - 25 (22De98)
South Staffordshire Water PLC 4% Perm Deb Stk - 78 (18De98)
Standard Chartered PLC 12⅞% Subord Uns Ln Stk 2002/07 - 203½ (21De98)
Stockbourne PLC Wts to Sub for Ord 1989 - ½ (21De98)
Svb Holdings PLC Wts to Sub for Ord (1998 - 2002) - 15 (17De98)
Tadpole Technology PLC Wts to Sub for Ord (Ex Rights) - 1¾ (22De98)
Tate & Lyle PLC ADR (4:1) - 21.9 (22De98)
Telewest Communications PLC ADR (10:1) - 27.88 (22De98)
Tesco PLC 4% Uns Deep Discount Ln Stk 2006 - 91¼ (22De98)
THFC (Indexed) Ld 5.65% Index-Linked Stk 2020 - 137 8.35 (17De98)
Thistle Hotels PLC 7¾% 1st Mtg Deb Stk 2022 - 125 (21De98)
Thistle Hotels PLC 10¾% 1st Mtg Deb Stk 2014 - 145¾ (21De98)
Tops Estates PLC 7½% Cnv Uns Ln Stk 2020 - 103 (21De98)
Tops Estates PLC 10¼% 1st Mtg Deb Stk 2011/16 - 130 (22De98)
Transport Development Group PLC 'B' Shs 34.4p - 33 (23De98)
Transport Development Group PLC 9¼% Uns Ln Stk 95/2000 - 99 (17De98)
Unigate PLC ADR (1:1) - 7.32 (22De98)
Unilever NV Ord NLG1 - NG147.5 (18De98)
Unilever PLC ADR (4:1) - 43.9375 (22De98)
United Biscuits (Hldgs) PLC Red 'B' 26.3p - 24 (0)
United Kingdom Property Co PLC 8¼% Uns Ln Stk 2000/05 - 90 (17De98)
Upton & Southern Hldgs PLC Wts to Sub for Ord - 0.25 (22De98)
Upton & Southern Hldgs PLC 5p (Gross) Cum.Cnv.Red.Pref.Shs.50p - 47 (23De98) 50 (23De98)
Vaux Group PLC 9¾% Deb Stk 2015 - 144½ (21De98)
Viridian Group PLC Uns Ln Nts 2003 - p45 (21De98)
Vodafone Group PLC ADR (10:1) - 163.03 (15) 5 (10) * .5 (4) 8 (23De98)
Walker (Thomas) PLC Ord 5p - 28 (17De98)
Warburg (S G.) Group PLC 7⅜% Cum Prf £1 - 135.5 (18De98)
Wereldhave Property Corp PLC 9.5% 1st Mtg Deb Stk 2015 - 138 (22De98)
W E W Group PLC 10¾% Cum Red Prf 1999/2002 £1 - 110½ 1½ (17De98)
Whitbread PLC 7% 3rd Cum Prf Stk £1 - 103 (22De98)
Whitbread PLC 11¾% Deb Stk 2011 - 156¼ (22De98) ¼ (22De98)
Whitbread PLC 7¼% Uns Ln Stk 95/99 - 98½ (22De98)
Williams PLC Non Cum Cnv Red Prf 'B' 34p - 30 (23De98) 30 (23De98) 30 (23De98) 30 (23De98) 30 (23De98)
Wolverhampton & Dudley Breweries PLC 8.5% Deb Stk 2019 - 110¾ (22De98) ¾ (22De98) 1 (22De98)
Wyefield Group PLC Ord 20p - 1 (2)
York Waterworks PLC Non-Voting'A'Ord 10p - 295 (22De98)
Young & Co's Brewery PLC 9% Cum Prf £1 - 140 (17De98)
ZENECA Group PLC ADR (1:1) - 44.51 (23De98)

Investment Trusts

Aberdeen High Income Trust PLC 7.1% Deb Stk 2008 - 112 (22De98)
Alliance Trust PLC 5% Prf Stk - 90 (18De98)
Bankers Inv Tst PLC 8% Deb Stk 2023 - 133 (22De98)
BG Overseas Income & Growth Ld Inc 1p - 118 (22De98)
BG Overseas Income & Growth Ld Ptg Cap 1p - 87 (21De98)
British Empire Sec & Gen Tst PLC 10⅛% Deb Stk 2011 - 142½ (21De98)
Broadgate Inv Tst PLC Wts to Sub for Ord - 97 (21De98)
Cairngorm B.S. Inv Tst PLC Uts (Compr 1 Wt No.1 - No.10) - 210 (22De98)
Cairngorm Demutualisation IT PLC Wts to Sub for Ord 50p - 13 (23De98)
Edinburgh Inv Tst PLC 7¾% Deb Stk 2022 - 130.3 2
Enterprise Capital Trust PLC 'B' Cum Red Pref 57p - 52 (23De98)
Fleming Income & Growth Inv Tst PLC 5% Cum Prf Stk - 160¾ (23De98)
Foreign & Col Inv Tst PLC 11.25% Deb Stk 2014 - 160¾ (18De98)
Henderson Smaller Cos Inv Tst PLC 10½% Deb Stk 2016 - 154 (21De98)
INVESCO English & Intl Tst PLC 8.875% Cum Prf £1 - 142½ (23De98)
Invesco Capital Trust PLC 5½% Cum Prf Stk - 90 (18De98)
Mhl Securities PLC Zero Div Prf 1p - 52¾ (23De98) 3 (23De98) 3 (23De98) 3 (23De98) ½ (23De98) ½ (23De98) ½ (23De98) ½ (23De98) ½ (23De98) ½ (23De98) ½ (23De98) ½ (23De98) ½ (23De98)
Monks Inv Tst PLC 8⅝% Deb Stk 2023 - 113¾ (21De98)
Monthly High Income Trust PLC Geared Ord 1p - 52 (23De98)
Murray Income Trust PLC 4.25% Cum Prf £1 - 97 (18De98)
Murray International Trust PLC 3.9% Cum Prf £1 - 85 (21De98)
Piccadilly Growth Trust PLC Ord 1p - 95 (18De98)
Scottish Inv Tst PLC 3.85% Cum Prf Stk - 95 (22De98)
Scottish Inv Tst PLC 5% Perp Deb Stk - 95 (21De98)
Scottish Mortgage & Trust PLC 6.875% Deb Stk 2023 - 122 (17De98)
Shires Income PLC 11% Cnv Uns Ln Stk 2003/2004 - 227 (17De98)
Shires Smaller Companies PLC Wts to Sub for Ord - 30 (22De98)
Value Realisation Trust PLC 1 4% Cnv Uns Ln Stk 2006 - 158 ½ 9 (22De98)
Witan Inv Co PLC 5¼% Exch Bds 1/9/08 £1000 (Regd) - 133½ (21De98)
Witan Inv Co PLC 8¾% Deb Stk 2016 - 134¾ 5¾ (22De98)

Alternative Investment Market

Connaught PLC Ord 10p - 149½ (23De98)
Offshore Tool & Energy Corp Com Shs $0.01 - 17 (21De98)

1 pm close Dec 24

NEW YORK STOCK EXCHANGE PRICES

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights yld-yield. z-sales in full. ‡ Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Dec 24	Dec 23	Dec 22	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	9217.99	9202.03	9044.46	9374.27 (23/11)	7539.07 (31/8)	9374.27 (23/11/98)	41.22 (8/7/32)
Home Bonds	106.55	106.72	106.74	107.17 (9/12)	104.42 (11/5)	107.17 (9/12/98)	54.99 (1/10/81)
Transport	3044.08	3054.59	3036.16	3686.02 (16/4)	2345.00 (8/10)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	314.54	315.05	312.81	320.51 (8/10)	262.86 (9/1)	320.51 (8/10/98)	16.53 (8/7/32)

DJ Ind. Day's high 9280.47 (9255.84) Low 9146.42 (9022.58) (Theoretical♦)
Day's high 9245.54 (9211.04) Low 9178.80 (9043.17) (Actual♦)

Standard and Poors	Dec 24	Dec 23	Dec 22	1998 High	1998 Low	Since compilation High	Since compilation Low
Composite‡	1226.27	1228.54	1203.57	1228.54 (23/12)	927.69 (9/1)	1228.54 (23/12/98)	4.40 (1/6/32)
Industrials♥	1471.51	1474.98	1442.28	1474.98 (23/12)	1077.40 (9/1)	1474.98 (23/12/98)	3.52 (30/6/32)
Financial♥	131.71	131.57	129.67	147.89 (14/7)	95.80 (8/10)	147.89 (14/7/98)	7.13 (4/9/74)
Others							
NYSE Comp.	589.07	588.95	578.75	600.76 (17/7)	477.20 (8/10)	600.76 (17/7/98)	4.84 (26/4/42)
Amex Comp	666.49	664.78	665.35	763.87 (22/4)	563.75 (8/10)	763.87 (22/4/98)	524.20 (16/7/98)
NASDAQ Cmp	2163.03	2172.54	2120.88	2172.54 (23/12)	1419.12 (8/10)	2172.54 (23/12/98)	54.87 (3/10/74)
Russell 2000	405.56	404.79	403.24	491.41 (21/4)	310.28 (8/10)	491.41 (21/4/98)	123.36 (7/12/83)

■ RATIOS

	Dec 18	Dec 11	Dec 4	Year ago
Dow Jones Ind. Div. Yield	1.71	1.72	1.69	1.76
	Dec 16	Dec 9	Dec 2	Year ago
S & P Ind. Div. yield	1.23	1.21	1.22	1.49
S & P Ind. P/E ratio	35.68	36.28	35.71	25.90

US DATA

■ MARKET ACTIVITY

● Volume (million)	Dec 24	Dec 23	Dec 22
NYSE	249.585	687.520	683.379
Amex	14.844	28.491	24.499
NASDAQ	447.909	973.511	910.869

NYSE	Dec 24	Dec 23	Dec 22
Issues Traded	3,378	3,541	3,549
Rises	1,477	1,896	1,255
Falls	1,301	1,097	1,736
Unchanged	600	548	558
New Highs	102	137	88
New Lows	29	80	93

■ NYSE TRADING ACTIVITY — Volume : 249,585,000

■ ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
AmOnLine	4,391,700	136¾	−1⅛
WorLcom	3,476,600	71⅞	−2⅜
MicronTech	2,931,100	52¼	−1
Boeing	2,798,000	32⅜	+⅛
Compaq	1,937,200	43⅛	−⅛
LucentTch	1,917,900	107⅞	−2¼
Ford	1,851,000	59	+⅛
Yahd 1	1,711,700	38⅛	−⅛
Citigrp	1,701,400	51⅝	−⅞
BosSci	1,423,900	26⅝	+1¼

■ BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Sothebys	38	+4¾	+14.3
Pogo Prod	13⅛	+1⅝	+13.2
Pinkerton	20⅛	+2⅛	+12.9
Playboy B	21⅝	+2	+10.2
Downs			
Zenith	12⅛	−1⅜	−10.0
Daniel	11⅛	−⅛	−4.7
Contr Main	18⅝	−⅞	−4.5
Dearnex	20⅝	−⅞	−4.1

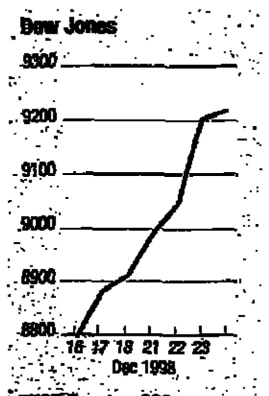
■ NASDAQ TRADING ACTIVITY — Volume :447,909,000

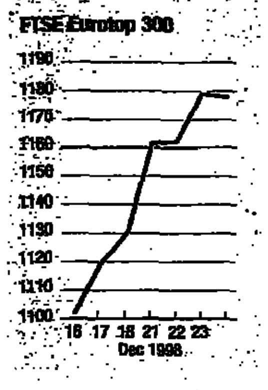
■ ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
CiscoSys	7,008,800	94⅛	−2⅛
DellCmp	6,479,800	74⅛	−⅞
Eggbead	5,849,400	23⅝	+1⅛
3Com	5,390,300	46⅝	−1⅞
Intel	4,355,200	125	
SunSysADR	4,289,300	17⅝	−⅛
HBO & Co	3,444,700	25⅝	+⅛
Micsft	3,438,400	141⅝	−1⅛
MCIWcm	3,322,800	70⅝	−⅞
Netscp	3,117,000	58⅛	−⅞

■ BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Remedy	15⅛	+2⅛	+22.6
PETsMRT	10⅛	+1⅛	+16.8
AlHome	80⅝	+8⅝	+12.3
SecDyam	21⅝	+2⅝	+11.5
Downs			
Iglbcm	38	−7	−15.6
Ertloeb	46	−8⅛	−15.2
AmerTrade	29	−3⅛	−9.7
ComTelSc	24	−2	−7.7





JAPAN

	Dec 24	Dec 23	Dec 22	1998 High	1998 Low	Since compilation High	Since compilation Low
Nikkei 225	13706.73	(c)	13779.45	17264.34	12879.97	38915.9	85.25

Day's high: 13815.21. Day's low: 13657.02.

■ TOKYO TRADING ACTIVITY — Volume : 320,800,000

■ ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Sakura	11,220,000	256	−20
MKTrB	10,984,000	120	−7
DaiwaBk	6,344,000	188	−9
YasTrB	5,808,000	87	+2
NpStl	5,587,000	201	−2
BTokM	5,318,000	1195	−38
Nomura	4,585,000	886	−29
Hitachi	4,441,000	721	−11
NHK Sp	4,232,000	434	+20
NikkoS	4,149,000	303	+1

■ BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
KDD	4180	+340	+8.9
Unitika	75	+5	+7.1
Downs			
Shok.B	40	−7	−14.9
Sakura	256	−20	−7.2
Tbahma	67	−5	−6.9
Amada	509	−36	−6.6
SmmaBk	888	−58	−6.1
MitChm	389	−25	−6.0

FRANCE

	Dec 24	Dec 23	Dec 22	1998 High	1998 Low	Since compilation High	Since compilation Low
CAC 40	(c)	3872.42	3820.47	4388.48	2862.54	4388.48	984.61

Day's high: − . Day's low: − .

■ PARIS TRADING ACTIVITY — Volume : 406,447,580

■ ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
FrTele	1,212,192	436	+7.1
Usinor	1,045,119	62.5	+4.3
Axa	680,853	785	+5
RhonPA	525,993	283	+2.6
TotalB	518,811	574	+9
Vendi	432,428	1389	+9
EltAqu	395,161	647	+9
Renault	342,194	233	+1.5
Alstom	336,943	131.9	+6
Schndr	319,779	326	+5

■ BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
CrLyCI	200	+19.7	+10.9
Infogr	147	+14	+10.5
Tattng	4342	+394	+10.0
GrdVsn	111.8	+9.8	+9.6
Downs			
NrdEst	153	−23.6	−13.4
Imetal	560	−23	−3.9
Pathe	1511	−52	−3.3
STMicro	430	−14	−3.2

GERMANY

	Dec 24	Dec 23	Dec 22	1998 High	1998 Low	Since compilation High	Since compilation Low
DAX	(c)	4951.77	4825.38	6171.43	3896.08	6171.43	931.18

Day's high: − . Day's low: −

■ FRANKFURT TRADING ACTIVITY — Volume : 7,583,707

■ ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
DmlrCh	808,086	157.7	+3.7
Dt Tel	831,610	55.4	+2.15
BASF	385,216	63.9	+1.4
Veba	355,848	94	+4
Bayer	329,268	71.6	+3.1
Siemns	298,437	110.8	+3.1
Dt Bk	271,361	98.8	+2.4
DresdBk	270,871	70	+1
Comzbk	261,196	46.8	+1.2
Luftsn	252,868	35.2	+0.8

■ BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Varta	263	+23	+9.6
Hizross	229	+17.9	+8.5
MchRkD	520	+34	+7.0
JngkPf	26	+1.5	+6.1
Downs			
Hdlz	58	−2	−3.3
KlocknW	88	−3	−3.3
DBV Br	605	−20	−3.2
ZnFpsp	125	−4	−3.1

UK

	Dec 24	Dec 23	Dec 22	1998 High	1998 Low	Since compilation High	Since compilation Low
FTSE 100	5867.2	5908.8	5843.3	6179.00	4648.70	6179	986.9

Day's high: 5911.5. Day's low: 5867.1.

■ LONDON TRADING ACTIVITY — Volume : 108,500,000

■ ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
BP	4,224,442	902	+23½
Cons Coal	3,671,701	5½	+1½
A Fisher	2,884,497	4½	−¼
Thistle Hils	2,770,130	106½	−1
Shell	2,632,251	349½	−½
Fortune Oil	2,179,701	3	−¼
Coca Cola Bv	2,152,093	105	
Br Aerospace	2,029,044	525	−2
Inchcape	1,918,731	127½	
Incepta	1,800,000	18½	

■ BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Spring Grp	146½	+31½	+27.4
Eyecare Prod	14½	+2½	+20.8
UNO	37	+6	+19.4
Osprey Comm	9	+1	+12.5
Downs			
Huntingdn Lfe	11	−2	−15.4
Dragon Oil	16	−2½	−13.5
Turnpike Bp	3½	−½	−12.5
Br Biotech	31¼	−2¼	−6.6

INDEX FUTURES

■ S&P 500	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Mar	1241.20	1239.50	−3.10	1242.60	1236.70	67,478	371,273
Jun	1251.50	1250.70	−3.10	1253.70	1248.30	680	7,866
■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Mar	14150.0	13880.0	−320.0	14170.0	13670.0	31,703	180,079
Jun	14050.0	13580.0	−420.0	14050.0	13580.0	12	32,981

Open interest figures for previous day

■ CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Dec	3876.5	3890.0	+15.0	3897.0	3842.0	11,723	93,931
Jan	3884.0	3887.5	+15.0	3898.5	3853.5	6,557	108,092
■ DAX							
Mar	4900.0	5028.5	+106.5	5035.0	4895.0	11,108	55,182
Jun	4936.0	5047.0	+79.0	5028.0	4936.0	126	3,276

■ OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Dec	689.00	694.75	+12.00	695.50	689.00	3,584	38,461
Jan	687.00	708.00	+24.50	708.00	687.00	8,113	179,961
■ EUREX							
Dec	7135.0	7170.0	+40.0	7214.0	7117.0	11,240	113,183
Mar	7141.0	7116.0	+75.0	7141.0	7120.0	4	2,047

WORLD MARKETS AT A GLANCE

Country	Index	Dec 24	Dec 23	Dec 22	1998 High	1998 Low	✻ Yield	✻ P/E
Argentina	General	17912.39	17894.70	17637.73	23486.47 23/3	12303.14 10/9	3.78	11.8
Australia	All Ordinaries	2764.0	2755.0	2759.8	2881.40 18/4	2459.28 1/9	3.42	21.1
	All Mining	579.2	575.3	579.9	713.10 23/4	409.80 31/8		
Most sectors recorded modest gains on Thursday's half-day as rises beat falls by 4 to 3. Volume was a thin A$362m.								
Austria	Credit Aktien	(c)	(u)	(u)	584.34 28/5	345.44 8/10	2.07	13.2
	ATX Index	(c)	1093.12	1087.73	1628.56 28/5	982.06 1/10		
Belgium	BEL20	3503.31	3458.94	3474.79	3632.07 20/7	2357.78 10/1	1.59	22.5
Market climbed 1.3 per cent in very quiet trade on Christmas eve.								
Brazil	Bovespa	(c)	7176.0	7115.0	12299.00 15/4	4781.00 10/9	na	na
Canada	TSE 100♦	397.55	398.36	391.25†	475.83 25/5	324.91 5/10	1.79	18.3
	Metals Mins♦	3078.55	3048.19	3058.32	4398.01 10/3	2500.19 31/8		
	TSE300Comp♦	6485.40	6447.20	6373.82†	7822.30 22/4	5335.78 5/10		
	Portfolio§§	3355.16	3342.28	3291.00	3988.81 25/5	2719.24 5/10		
The market ended higher on Thursday in thin trade. Some funds adjusted holdings to reflect desired portfolio in new year.								
Chile	IGPA Gen♥	3634.84	3643.80	3642.92	4961.95 17/3	2880.95 14/9	3.46	11.9
China	Shanghai B	28.07	28.06	27.90	58.58 10/2	28.25 12/8	1.54	26.7
	Shenzhen B	52.51	51.92	52.05	98.97 10/2	49.88 13/8		
News of the first new B share offer in seven months lifted sentiment in Shanghai on Thursday.								
Colombia	IBB	(u)	(u)	1073.59	1431.46 7/1	776.17 14/10	na	na
Czech Republic	PX 50	(c)	385.9	385.2	517.30 23/3	316.09 8/10	na	na
Denmark	CopenhagenSE	(c)	630.84	625.51	778.84 7/4	566.95 9/10	1.67	17.3
Egypt	Cairo SE Gen	378.57	377.97	377.28	383.19 21/4	345.40 2/2	na	na
Finland	Hex General	(c)	5604.01	5499.86	5804.01 23/12	3228.43 12/1	1.92	20.5
France	SBF 250	(c)	2457.08	2422.21	2798.73 17/7	1873.10 12/1	2.41	19.4
	CAC 40	(c)	3872.42	3820.47	4388.48 17/7	2882.54 12/1		
Germany	FAZ Aktien	(c)	1588.21	1558.30	1940.80 20/7	1259.59 2/10	1.42	18.6
	Commerzbank	(c)	4573.80	4562.60	5712.60 20/7	3688.20 2/10		
	DAX‡	(c)	4951.77	4825.38	6171.43 20/7	3896.08 8/10		
Greece	Athens General	2855.46	2805.87	2542.19	2828.52 21/7	1380.13 29/1	1.74	20.1
	FTSE/ASE 20	1672.96	1637.37	1568.93	1727.13 21/7	765.18 29/1		
Hong Kong	Hang Seng	10292.20	10158.76	10322.58	11810.83 25/3	6660.42 13/8	3.48	14
	HSCC Red Chip	825.60	892.07	914.88	1778.09 27/2	578.87 1/9		
Moved ahead in Thursday's half-day session in meagre volume of HK$1.5bn. China plays outpaced.								
Hungary	Bux	(c)	6340.59	6587.50	9018.36 23/4	3775.02 21/8	na	na
India	BSE Sens.	2963.45	2962.50	2976.58	4280.96 21/4	2764.16 20/10		
	Cmll 500	586.43	585.30	583.32	815.82 21/4	557.88 20/10	na	na
Indonesia	Jakarta Comp.	401.85	400.52	406.46	554.10 2/2	256.83 21/9	2.48	31
Edged forward on Thursday in thin volume of Rp80bn. Rises doubled falls.								
Ireland	ISEQ Overall	4929.73	4880.23	4867.43	5471.61 21/4	3745.11 8/10	2.03	17.9
Market closed one per cent up in half-day session Thursday, driven by strength of some leading stocks.								
Israel	Tel Aviv 100	304.21	302.87	302.27	327.43 8/5	249.19 8/10	na	na
Foreign buyers absent because of Christmas. Early elections likely to lift trading.								
Italy	BCI Comit 30	(c)	342.39	337.08	399.80 20/7	248.51 9/10	1.74	25.3
	Banca Com Ital	(c)	1441.1	1423.24	1654.39 7/4	1069.59 9/10		
	Mibtel General	(c)	23084.0	22733.0	28377.80 8/4	16761.88 9/10		
Japan	Nikkei 225	13706.73	(c)	13779.45	17264.34 2/3	12879.97 9/10	0.99	44.9
	Nikkei 300	213.58	(c)	215.41	257.43 10/2	192.30 9/10		
	Topix	1074.18	(c)	1082.46	1380.30 10/2	980.11 15/10		
	2nd Section	1167.87	(c)	1182.54	1401.27 12/2	1028.84 13/10		
Banks suffered on Thursday after Standard & Poor's downgraded credit ratings on seven major Japanese banks.								
Jordan	Amman SE	(c)	166.54	169.37	184.52 17/8	159.46 18/11	na	na
The AFM index closed slightly down Sunday amid year-end subsidies; blue-chip stocks dominated turnover.								
Malaysia	KLSE Comp.	552.32	551.11	537.22	745.36 27/2	282.70 1/9	2.68	14.1
While the Composite index edged higher on Thursday, Second Board fell 3.1 per cent and falls nearly trebled rises.								
Mexico	IPC	4001.35	3930.29	3899.11	5294.88 2/1	2858.10 10/9	1.74	15.3
Prices advanced to close above the critical 4,000-point mark on the back of year-end portfolio buying.								
Morocco	CASA	(c)	795.19	797.94	883.96 1/3	688.57 21/1	na	na
Netherlands	CBS TtlRtnGen	1308.7	1301.6	1283.4	1493.80 20/7	974.90 8/10	2.16	22.1
	CBS All Shr	728.4	724.4	714.3	845.00 27/7	548.10 8/10		
Investment bank NIB soared 28.8 per cent as pension funds ABP and PGGM launched bid.								
New Zealand	Cap. 40	2123.41	2089.90	2085.39	2358.02 20/3	1898.24 2/10	5.33	20
Shares continued to cheer Wednesday's strong GDP data on Thursday, and NZSE-40 index closed at highest since July 22.								
Nigeria	SE All-Share	5574.04	5585.94	5894.42	6504.87 11/2	2236.40 12/1	na	na
Norway	Oslo SE Ind	(c)	1597.34	1565.52	2378.66 4/5	1359.78 8/10	2.5	11.2
Pakistan	KSE-100	952.35	953.05	949.85	1746.31 2/1	765.73 14/7	na	na
Drifted lower in thin volumes on Thursday. Falls beat rises by 10 to 7.								
Peru	Lima Gen	(c)	1354.30	1365.12	1903.91 4/5	1159.50 21/9	na	na
Philippines	Manila Comp	1932.15	1910.46	1893.66	2311.42 25/3	1082.18 11/9	1.38	13.4
Stocks in the Ayala group outpaced on Thursday as rises beat falls by more than 3 to 2.								
Poland	Wig	(c)	12418.8	12055.8	18682.78 11/3	10473.78 9/10	2.31	8.1
Portugal	BVL 30	(c)	4742.46	4629.45	6178.88 22/4	3598.08 2/10	2.18	25.7
	PSI 20	(c)	10911.33	10636.15	14282.90 22/4	8114.51 2/10		
Russia	RTS	60.11	60.44	60.16	411.81 5/1	38.53 5/10	na	na
Trading ground to a virtual halt Friday, Surgutneftegaz led the day turnover, easing slightly.								
Singapore	SES All-S'pore	382.01	379.51	385.92	437.98 19/3	253.20 4/9	2.32	20
	Straits Times	1392.75	1394.53	1412.40	1698.75 19/3	805.04 4/9		
Higher in thin trading in Thursday's half-day. Rises beat falls by 5 to 2.								
Slovakia	Sax	(c)	94.00	(u)	182.48 5/1	81.45 20/11	na	na
South Africa	JSE All Share	5238.8♥	5180.7	5182.1	8358.70 20/4	4594.48 11/9		
	JSE Gold	866.9♥	852.4	882.7	1318.80 8/10	672.68 18/3		
	JSE Indl.	6051.9♥	5992.4	5980.1	8942.70 20/4	5246.90 11/9	5.36	7.7
South Korea	KoreaCmpEx**	555.36	553.53	547.75	579.86 15/12	280.00 16/6	1.13	22.1
Newcomer Korea Telecom went limit up for second day on Thursday. Kepco tumbled while rises beat falls by 7 to 4.								
Spain	Madrid SE	(c)	853.81	847.74	947.82 17/7	642.28 5/10	1.93	23.2
Sri Lanka	CSE All Share	555.36	567.58	560.40	789.70 4/5	481.00 3/9	na	na
Local retail demand pushed shares higher on Thursday.								
Sweden	AffarsvarldnGen	(c)	3305.8	3214.7	3955.80 20/7	2411.70 8/10	2.28	19.4
Switzerland	SMI Index	(c)	7160.8	7091.2	8412.00 21/7	5128.50 5/10	1.36	22.8
	SPI General	(c)	4490.26	4454.22	5237.39 20/7	3311.28 5/10	na	na
Taiwan	WeightedPr.**	6693.00	6669.65	6782.68	9277.09 2/3	6251.38 3/9	1.51	20.1
Late selling brought index back to close steady on Thursday. Volume was a moderate T$72bn.								
Thailand	Bangkok SET	346.93	344.27	343.34	558.92 3/2	207.31 4/9	2.68	52
Higher on Thursday on light volumes of Bt1.6bn. Rises beat falls by 7 to 5.								
Turkey	IMKB Nat 100	2492.55	2470.39	2421.06	4530.98 16/7	1852.28 8/10	4.55	10.3
Prices rose sharply Friday on hopes that new prime minister-designate Yalim Erez will form government quickly.								
Venezuela	IBC	4700.93	4560.96	4546.94	7856.92 23/3	2884.70 10/9	na	na
Market index up marginally on Thursday in quiet pre-Christmas trading.								
Zimbabwe	ZSE Industrial	(c)	(c)	(c)	8795.71 31/3	5441.85 1/9	na	na
WORLD	FT/S&P World($)	303.66	304.45	299.34	365.82 17/7	242.39 5/10	na	na
	MS Capital Intl$	(c)	1132.8*	1123.2	1143.80 20/7	868.59 13/1	na	na
CROSS-BORDER	DJ Stoxx 50	(c)	3307.79	3258.67	3870.82 20/7	2433.07 8/10		
	DJ Euro Stx 50	(c)	3301.32	3248.07	3659.48 17/7	2419.23 8/10		
	FTSE E300	1177.29	1179.57	1160.97	1327.88 20/7	893.55 5/10		
	FTSE E100	2717.58	2722.25	2681.38	3068.91 20/7	2049.91 8/10	na	na
	HSBC Drgn	(c)	226.31	228.12	273.91 26/3	161.71 5/10	na	na
	ING Barings Emrg	115.00	114.41	113.80	180.08 22/4	86.84 11/9	na	na

** Sat Dec 19: Taiwan Weighted Price 6478.11 §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ XETRA-DAX after-hours index: Dec 24: (c). † Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation. ✻ Yields and P/E ratios are based on Datastream Total Market indices. ♣ Millennium.

THE NASDAQ-AMEX MARKET GROUP

1 pm close Dec 24

Stock	Div.	P/E	Vol 100s	High	Low	Last	Chng
[illegible]							

AMEX

1 pm close Dec 24

Stock	Div.	P/E	Vol 100s	High	Low	Close	Chng
[illegible]							

FT GUIDE TO THE WEEK

Jean-Pierre Fontenay leads a special stage in Mauritania during this year's Paris-Dakar rally. Competitors in the 1999 event leave Versailles on Friday AP

MONDAY 28

Assad visits Lebanon

Hafez-al-Assad, the Syrian president, is due to visit Lebanon. He is expected to meet officials for discussions on the proposed withdrawal of Israeli troops from south Lebanon, the Middle East peace process and bilateral affairs.

Guinea choice

The second round of presidential elections is held in Guinea. The first round was on December 14.

Holidays

UK, Ireland.

TUESDAY 29

The young master

Rusian Ponomariov, 15, the youngest ever chess grand master, will be the star of the Hastings Congress in the UK, now in its 74th year and the chess world's longest running annual tournament (to January 10). The Ukranian scored his first GM result at

13, achieved the full title at 14 and has just qualified for next summer's £1.6m Fide World Knockout in Las Vegas. His plain style is remarkably mature and technical, so there are already whispers that this youngster could be a serious rival to world champion Garry Kasparov within five years. Hastings has a long tradition of matching rising talents against established GMs, and Ponomariov's nine rivals include Matthew Sadler, Britain's Olympiad gold medallist, and world semi-finalist Jon Speelman. At a less exalted level, more than 20 countries will be represented in the World Amateur Championship which is open to any chess player without an international ranking.

THURSDAY 31

Time for a change ...

European finance ministers meet in Brussels to kick off the "changeover weekend" in which 11 European Union countries take the final steps for launching the euro, the EU single currency. A special session of the EU's Ecofin council will set the irrevocable conversion rates between the euro and the currencies of the member states, celebrating the event with the release of 3,000 balloons into the Brussels sky. A weekend of hard work then gets under way for financial sector companies and monetary authorities throughout the EU and in the world's major financial centres. A host of electronic records will have to be modified before markets in euro open for trading. The biggest challenge will be redenominating all the outstanding public debt of the euro area countries into euros so that it can serve as collateral for the monetary operations that will have to be executed from January 4 1999.

... A change for time

At midnight a "leap second" will be added to official time. The extra second is needed to bring Co-ordinated Universal Time, which is determined by atomic clocks, into alignment with the time determined by the earth's rotation, which is slowing slightly. This is the 22nd leap second to be added since 1972.

Security Council moves

Five countries are due to end their two-year terms on the United Nations Security Council. Japan, Portugal, Kenya, Sweden and Costa Rica will be replaced by Argentina, Canada, The Netherlands, Malaysia and Namibia. The council, which has the power to issue ceasefire directives, send peace-keeping forces and call for economic sanctions, has 15 members, of which five are permanent.

Marching orders

The German government has given an estimated 220,000 Bosnian refugees sheltering within its borders until today to return to their home country. Carl-Dieter Spranger, economic development minister, has said that if the responsible parties do not follow the provisions laid down under the Dayton Accord, Germany will take action, but has not specified what that might be.

US-Vietnam accord

The US and Vietnam are scheduled to sign a comprehensive trade agreement in Hanoi.

Holidays

Austria, Azerbaijan, Belgium, Denmark, Finland, France, Germany, Iceland, Latvia, Luxembourg, Netherlands, Spain, Sweden, Switzerland, Ukraine, Argentina, Brazil, Chile, Bangladesh, Japan, New Zealand, Pakistan, Philippines, Singapore, Thailand.

FRIDAY 1

Strauss year

The Vienna Philharmonic orchestra's traditional New Year's Day concert at the Musikvereinsaal will mark two historic anniversaries; the 100th of the death of Johann Strauss the younger and the 150th of the death of Johann Strauss the elder. The conductor is Lorin Maazel.

German turn

Germany takes over the presidency of the European Union from Austria for the six months until June 30. Priorities for the German presidency include EU budget reform, tax harmonisation, employment policy, the appointment of an EU representative for foreign policy, and reform of EU institutions such as members' power of veto and the European Commission.

Stepping stone

Bulgaria is scheduled to accede to the Central European Free Trade Agreement, seen as a stepping stone to membership of the European Union. The organisation includes the Czech Republic, Slovenia, Hungary, Poland, Romania and Slovakia.

Trade curb lifted

A directive allowing Chinese private enterprises to export directly, rather than through state-owned foreign trade companies, comes into force. New measures to help enterprises raise funds, train personnel and take advantage of technical innovation will soon be introduced, according to the State Economic and Trade Commission.

Relieved of duties

A free trade agreement between Poland and Estonia comes into force, but duty will still be payable on Polish imports of used cars, steel products and fuels. Poland exports chiefly chemicals and textile industry products to Estonia and imports mainly timber and chemical products.

Desert bash

The annual Paris-Dakar Rally begins, with 850 competitors in cars, trucks and on motorcycles setting off from Versailles for a 6,400 mile trek which includes nearly 4,000 miles of special stages. There will be 35 doctors and 30 aircraft on hand to pick up casualties.

Tax detectives

Hungary's new tax police begin operations in a bid to reduce a black economy that is said to account for 25 to 30 per cent of gross domestic product.

Rouble bonus

Russia's armed forces are due to collect a pay rise promised by Sergey Kiriyenko, the former prime minister, in June. His pledge followed widespread unrest over long delays in payment of already low wages. At the same time, the armed forces are to be cut to 1.2m personnel.

Forex checker

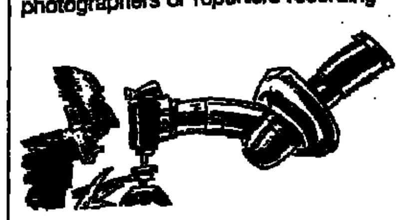
Foreign trade enterprises in China are to be issued with digital identity cards as part of a move by the authorities to tackle foreign exchange trade fraud and the illegal purchase of foreign exchange from banks.

Ferry safety

New international safety regulations for roll-on, roll-off ferries come into force in the wake of disasters such as the Estonia and the Herald of Free Enterprise. Measures include the registration of names, sex and age group of all passengers.

Privacy for the stars

California's "stalkerazzi" bill comes into effect, aimed at preventing photographers or reporters recording



others "engaged in a personal or family activity in circumstances where they had a reasonable expectation of privacy."

Holidays

Austria, Australia, Azerbaijan, Belgium, Denmark, Finland, France, Germany, Iceland, Latvia, Luxembourg, Netherlands, Spain, Sweden, Switzerland, Ukraine, US, UK, Argentina, Brazil, Chile, Bangladesh, Japan, New Zealand, Pakistan, Philippines, Singapore, Thailand.

SATURDAY 2

Parliament sits

The Central African Republic's new parliament is scheduled to convene following elections to the 109-member chamber. The elections followed three military uprisings in 1996 and 1998 and were held under the protection of United Nations troops.

BJP meeting

India's Bharatiya Janata party holds its national executive meeting in Bangalore (to January 3).

FT Survey

Investors' Guide To The Year Ahead.

SUNDAY 3

Economic discussions

The American Economic Association holds its annual meeting in New York. Participants include Alan Blinder, former Federal Reserve vice-chairman, Stanley Fischer, International Monetary Fund first deputy managing director, Joseph Stiglitz, World Bank chief economist, and Michael Mussa, IMF chief economist (to January 5).

Compiled by Roger Beale
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ECONOMIC DIARY

Other economic news

Monday: Real household spending of Japanese salaried workers is expected to have been up on last year in November. Italian retail sales figures for September published. BTF auction in France. Repo allotment in Ireland.
Tuesday: Existing home sales in the US are thought to have edged higher in November, near their all-time high. Greece and US issue treasury bills.
Wednesday: US new homes sales are thought to have been strong in November, with the leading economic indicator also rising. Norway publishes December unemployment data. Unemployment is thought to have fallen in France last month. Inflation in the euro-zone is thought to have edged lower in November. Half day for UK, Japanese and Belgian stock markets. Bill auction in Italy.
Thursday: Industrial sales prices in France are thought to have fallen in November, remaining down on last year.
Friday: Euro is born – first working day Monday 4. Germany takes over European Union presidency from Austria.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Japan	Nov PCE (workers)**		-0.2%
Dec 28	Japan	Nov income(workers)**		1.2%
	Singapore	Nov industrial production**	-6.5%	-7.9%
	US	Nov existing home sales		4.79m
Tue	Italy	Nov hourly wages**	2.2%	2.2%
Dec 29	US	BTM-Schroders 26 Dec		-1.2%
	US	Dec Consumer Confidence		126.0
	US	Redbook 26 Dec		0.2%
Wed	Korea	Nov current account	$3.4bn	$2.75bn
Dec 30	Korea	Nov trade balance		$3.45bn
	France	Nov unemployment rate	11.6%	11.8%
	France	Nov job seekers ILO*	-0.3%	-0.5%
	France	Nov PPI*		-0.3%
	France	Nov PPI**		-1.9%
	Czech Rep.	Nov industrial sales, prel**	2.75%	-7.4%
	Czech Rep.	Y/D industrial sales, prel **	1.50%	1.9%
	Czech Rep.	Nov nominal wages, prel**	7.25%	7.1%
	Czech Rep.	Nov real wages, prel**	0.10%	-1.0%
	Czech Rep.	Y/D real wages, prel**	0.40%	-0.4%
	Sweden	Nov trade balance	Skr10.0bn	Skr13.4bn
	EMU	Nov harmonised CPI*		0.0%
	EMU	Nov harmonised CPI**	0.9%	1.0%
	Norway	Dec unemployment rate	2.2%	2.1%
	US	Nov leading indicators		0.1%
	US	Dec agricultural prices		1.0%

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Thur	Korea	Dec CPI**		6.8%
Dec 31	Korea	Dec PPI**		11.0%
	Indonesia	Oct trade balance - customs cleared		$1.78bn
	Indonesia	Oct exports**		-15.0%
	Indonesia	Oct imports**		-35.6%
	Indonesia	Dec CPI*		0.08%
	Indonesia	Dec CPI**		78.2%
	Thailand	Oct current account balance		-$1.10bn
	Thailand	Nov exports – balance of payments**	-10.0%	-12.5%
	Thailand	Nov imports – balance of payments**	-17.0%	-25.0%
	Thailand	Nov trade balance – bop	$1.1bn	$1.11bn
	Thailand	Nov manufacturing production index**	-1.0%	-5.4%
	US	Initial claims 26 Dec		
	US	State benefits 19 Dec		
	US	Dec Chicago PMI		50.2%
	US	M1 – week ended 21 Dec		
	US	M2 – week endeded 21 Dec		
	US	M3 – week ended 21 Dec		
Fri	Korea	Dec foreign exchange reserves		$52.3bn
Jan 1	Korea	Dec exports – customs cleared**		1.5%
	Korea	Dec imports – customs cleared**		-28.6%
	Korea	Dec trade balance – customs cleared		$3.67bn
	Thailand	Dec CPI*	4.5%	4.7%
	Thailand	Dec WPI**		3.8%

*month on month, **year on year. *Statistics, courtesy Standard & Poor's MMS.*

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 27.12.98 — Final Prices for Trading on 25.11.98

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	23.51	9.67	9.67	0.00
0100	23.51	20.00	20.08	1.16
0130	31.31	20.00	20.08	1.16
0200	31.31	20.00	20.08	1.16
0230	31.31	11.60	11.68	1.16
0300	24.93	17.00	17.08	1.16
0330	24.93	17.00	17.08	1.16
0400	16.23	11.60	11.68	1.16
0430	16.23	11.12	11.20	1.16
0500	16.23	9.67	9.67	0.00
0530	17.00	9.35	9.35	0.00
0600	17.00	9.33	9.33	0.00
0630	15.60	9.35	9.35	0.00
0700	15.60	9.35	9.35	0.00
0730	15.60	9.35	9.35	0.00
0800	9.35	9.35	9.35	0.00
0830	9.35	9.67	9.67	0.00
0900	9.35	11.39	11.47	1.16
0930	9.35	11.39	11.47	1.16
1000	9.37	15.54	15.63	1.16
1030	17.00	11.39	11.47	1.16
1100	18.56	15.54	15.63	1.16
1130	19.64	17.48	17.56	1.16
1200	28.28	17.48	17.56	1.16
1230	28.28	17.48	17.56	1.16
1300	28.28	17.48	17.56	1.16
1330	28.28	17.48	17.56	1.16
1400	19.64	17.48	17.56	1.16
1430	18.56	9.80	9.80	0.00
1500	18.56	9.80	9.80	0.00
1530	18.56	9.80	9.80	0.00
1600	19.64	9.70	9.70	0.00
1630	25.64	9.75	9.75	0.00
1700	25.64	17.62	17.70	1.16
1730	26.64	17.62	17.70	1.16
1800	25.64	17.62	17.70	1.16
1830	25.64	17.62	17.70	1.16
1900	25.64	17.62	17.70	1.16
1930	33.38	17.62	17.70	1.16
2000	23.59	17.62	17.70	1.16
2030	22.22	94.72	94.80	1.16
2100	22.22	94.72	94.80	1.16
2130	19.64	94.72	94.80	1.16
2200	19.64	17.48	17.56	1.16
2230	19.64	17.48	17.56	1.16
2300	19.64	15.59	15.67	1.16
2330	9.37	15.59	15.67	1.16
2400	9.36	9.75	9.75	0.00

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.69/MWh becomes 1.869p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of optimising the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0113 245 6789 between 8.30am and 5.15pm Monday to Friday.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 28.12.98 — Final Prices for Trading on 26.11.98

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	18.56	15.59	15.33	0.90
0100	20.00	19.02	18.76	0.90
0130	20.00	19.02	18.76	0.90
0200	20.00	19.02	18.76	0.90
0230	20.00	15.59	15.33	0.90
0300	20.00	15.59	15.33	0.90
0330	20.00	15.59	15.33	0.90
0400	19.64	15.59	15.33	0.90
0430	15.60	15.59	15.33	0.90
0500	15.60	9.75	9.75	0.00
0530	14.81	9.36	9.36	0.00
0600	17.00	9.36	9.36	0.00
0630	17.00	15.80	15.80	0.00
0700	17.00	9.36	9.36	0.00
0730	14.81	21.82	21.56	0.90
0800	9.37	23.56	23.30	0.90
0830	8.00	23.56	23.30	0.90
0900	9.35	28.37	28.11	0.90
0930	9.36	54.03	53.77	0.90
1000	9.37	54.03	53.78	0.90
1030	14.56	54.03	53.78	0.90
1100	14.81	34.99	34.74	0.90
1130	14.81	34.98	34.74	0.90
1200	14.81	34.99	34.74	0.90
1230	14.81	61.00	60.75	0.90
1300	17.00	61.00	60.74	0.90
1330	17.00	28.37	28.11	0.90
1400	17.00	33.54	33.28	0.90
1430	17.00	33.54	33.28	0.90
1500	16.28	33.54	33.28	0.90
1530	16.28	33.56	33.30	0.90
1600	17.93	29.62	29.70	0.90
1630	22.76	55.81	60.43	0.90
1700	69.73	96.65	106.36	0.90
1730	69.73	105.85	116.72	0.90
1800	69.73	94.74	103.81	0.90
1830	35.34	81.65	65.32	0.90
1900	35.34	47.86	48.81	0.90
1930	34.38	36.90	37.09	0.90
2000	29.24	35.85	35.70	0.90
2030	20.72	34.25	34.00	0.90
2100	19.95	31.07	30.61	0.90
2130	19.93	31.08	30.80	0.90
2200	19.93	26.06	25.80	0.90
2230	18.89	26.06	25.80	0.90
2300	9.37	25.49	25.22	0.90
2330	18.89	18.49	18.22	0.90
2400	18.89	9.37	9.37	0.00

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.69/MWh becomes 1.869p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of optimising the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0113 245 6789 between 8.30am and 5.15pm Monday to Friday.
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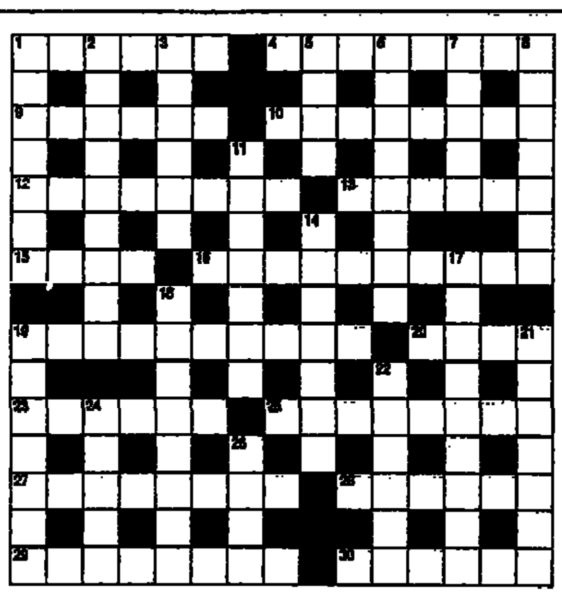
MONDAY PRIZE CROSSWORD
No.9,873 Set by DANTE

ACROSS
1 If so minded, one could be a sort of professor (6)
4 Treatment costs nothing, so unconcerned (8)
9 Lack bite? (6)
10 Two things swindlers do and may be found guilty of in court (8)
12 Fit to follow Charlton in football (8)
13 A sick benefit prescription? (6)
15 One on the staff backs the school (4)
16 Safety rail adapted for the nursery? (5,5)
19 Monday's issue is said to be so attractive (4,2,4)
21 Catch on to the smallest branch (4)
23 Soldiers unable to withdraw (6)
25 Send St Martin the wrong way (8)
27 The wages of sin – and anger (8)
28 Brave exchange of ideas (6)
29 Was a shade embarrassed? (8)
30 Green party finally contrived to get power (6)

DOWN
1 Refuse to vote, putting Jack on the spot (7)
2 People eat it past eight perhaps (9)
3 A struggle between northern and southern sea forces (6)
5 The call of the sea? (4)
6 I'm engaged in property valuation (8)
7 Right – breathe out and relax (5)
8 Draws dissected eastern insect (7)
11 Animal whose food is superior to other animals (7)
14 Get expert treatment (7)
17 Its blades control other blades (4,5)
18 Dance band pieces (8)
19 Avoid showing fright when catching the ball (7)
21 For a start, I just don't believe it! (7)
22 Rent free (6)
24 Well salted (5)
26 Monster note in Scandinavian currency (4)



Winner of Puzzle No.9,864: N. Pendlebury, Weston, Southampton.

A prize of a Tombow Lucca fountain pen and rollerball set, worth £125, will be awarded for the first correct solution opened. Solutions by Thursday January 7, marked Monday Crossword 9,873 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday January 11. Please allow 28 days for delivery of prizes.

Name..

Address..

Solution 9,864

D	E	B	A	T	E		D	U	M	B	B	E	L	L
E		A		A		S		N		E		L		E
A	N	G	U	I	S	H		B	A	T	H	I	N	G
D		A		L		U		R		T		T		A
D	O	T	H		I	N	C	O	H	E	R	E	N	T
U		E		F		T		K		R				O
C	A	L	L	O	W		P	E	R	H	A	P	S	
K		L		U		E		X		A		R		M
	T	E	A	R	F	U	L		F	L	E	E	C	E
S				P		S		S		F		S		N
P	I	A	N	O	F	O	R	T	E		P	E	L	T
I		L		S		C		O		B		R		A
R	O	O	S	T	E	R		U	N	R	A	V	E	L
A		F		E		A		T		I		E		L
L	I	T	E	R	A	T	E		M	O	N	D	A	Y

CHRISTMAS CROSSWORD

We are sorry that three clues for last Thursday's prize puzzle were either incomplete or missing. They were:

5 down Deer cooked or otherwise for a saint (Bede?) with one child (5,7)
7 down Earths to use with variable resistance (8)
33 down Born free, for example, with space for the marrying man (10)

Entries which are otherwise correct but omit these answers will be included in the draw on Wednesday January 6. Solution and winners on Saturday January 9